**One – Time Investment**

You receive $2,500 from friends and family for graduation. You decide to be smart with your money and invest it in a CD (Certificate of Deposit).

**Process:**

1. Go to [CD rates](https://ratebrain.com/cd-rates) and choose 1-year CD tab.

2. Choose an institution (bank) with whom you would like to invest with a minimum deposit less than or equal to $1500. **You will have to go to the institution’s website to see what the minimum deposit would be. Caution: some banks require more!**

3. Record the name of the institution, interest rate, compound period [year(s) x 12] and the initial investment required (may be less than or equal to $1500) in Table A.

4. Repeat steps 1 – 3 for a 3-year CD and a 5-year CD.

5. Go to [CD Calculator](https://www.bankrate.com/calculators/savings/bank-cd-calculator.aspx) and enter $2,500 into initial deposit, number of months (compounding period), and interest rate. Select “View Report” and enter the ending balance in Table A.

**Table A: Record info on investment choice**

|  |  |  |  |
| --- | --- | --- | --- |
|  | 1-Year CD | 3-Year CD | 5-Year CD |
| Institution |  |  |  |
| Interest Rate | % | % | % |
| Compound Period |  |  |  |
| Initial Investment Required |  |  |  |
| Ending Balance |  |  |  |
| Interest Accrued  *Process:*  *Ending balance – Initial Investment* |  |  |  |

1. Question: Which CD length would you choose and why? (Remember to consider you will be in college or just starting your career at this point).

Now let’s look at what would happen to your money if you left it in a mutual fund for a longer period of time.

**Mutual Funds – Waiting to Invest**

**Scenario:** You receive $1500 from friends and family for graduation. You decide to be smart with your money and invest it monthly until the age of 68. **You will invest in a mutual fund earning an average return of 10% compounded ANNUALLY.**

**Part 1:** Research mutual funds by reading the following articles:

* [Pros and Cons – Mutual Funds](https://www.dinksfinance.com/2017/12/the-pros-and-cons-of-investing-in-mutual-funds/)
* [10 Biggest Mutual Funds](https://www.forbes.com/sites/billharris/2012/08/08/the-10-biggest-mutual-funds-are-they-really-worth-your-money/#4a71163ff3cf)
* [What is a Mutual Fund?](https://www.moneycrashers.com/mutual-fund-types-pros-cons/)

Complete the following:

* Mutual Fund (definition):
* Mutual Fund Pros (3 or more):
* Mutual Fund Cons (3 or more):

**Part 2: Why I Should Start Investing Now?**

* Use the [Financial Calculator](http://www.fncalculator.com/financialcalculator?type=tvmCalculator) to calculate the value of your investment at age 68.
* Enter “**-**2500” (must be a negative number) into the Present Value (PV) blank.
* Enter “0” for payment (PMT)
* Enter “10” for Annual Rate (%)
* Enter “Years Investing x 12” for periods
* Select “Monthly” for compounding
* To see the “Value at 68”, click “FV”.
* Repeat for every age listed

|  |  |  |
| --- | --- | --- |
| Person’s Age | Years Investing | Value at 68 |
| 18 | 50 |  |
| 28 | 40 |  |
| 38 | 30 |  |
| 48 | 20 |  |
| 58 | 10 |  |

**What if I add $100 each month to the investment???**

* Use the [Financial Calculator](http://www.fncalculator.com/financialcalculator?type=tvmCalculator) to calculate the value of your investment at age 68.
* Enter “**-**2500” (must be a negative number) into the Present Value (PV) blank.
* Enter “**-**100” (must be a negative number) for payment (PMT).
* Enter “10” for Annual Rate (%).
* Enter “Years Investing x 12” for periods.
* Select “Monthly” for compounding.
* To see the “Value at 68”, click “FV”.
* Repeat for every age listed.

|  |  |  |  |
| --- | --- | --- | --- |
| Person’s Age | Years Investing | Payment | Value at 68 |
| 18 | 50 | $100 |  |
| 28 | 40 | $100 |  |
| 38 | 30 | $100 |  |
| 48 | 20 | $100 |  |
| 58 | 10 | $100 |  |

**Step 3:** Write a paragraph of at least **5 sentences** about your calculations and what you learned about investing over time.