Name ____________________ Date __________ Class __________

Chapter 31 Investing

Section 31.1 Fundamentals of Investing

Reading Activity—Recognize the Main Idea

Chapter 31

Directions Read the excerpts from the textbook, then write one sentence summaries of each that describe the main idea.

Bonds

When corporations or governments need to borrow large amounts of money, they often issue bonds. A bond is a certificate issued by a government or company in which it promises to pay back borrowed money at a fixed rate of interest on a specified date (the maturity date). It is a debt, and the buyer of a bond is the creditor (or lender) to the company or government that issued it, the debtor (or borrower).

1. Write a one-sentence summary of the most important ideas presented in this paragraph.

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Government Securities

Federal, state, and local governments issue bonds to help raise the money to fund their activities. Government securities are considered almost risk-free because they are backed by our tax dollars. Because they are low risk, government bonds offer lower interest rate than other bonds. The interest paid on a bond can be higher than the interest paid on a savings account.

2. Write a one-sentence summary of the most important ideas presented in this paragraph.

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Municipal Bonds

Local and state governments issue municipal bonds. Municipal bonds are sold to finance city, town, or regional projects such as schools, highways, and airports. You can buy them from a broker or directly from the government that issued them The main advantage of municipal bonds is that the federal government generally does not tax the interest earned on them. As with Treasury bonds, you do not have to hold on to a municipal bond until its reaches maturity date. If you sell it before it matures, however, you might receive less than the face value of the bond.

3. Write a one-sentence summary of the most important ideas presented in this paragraph.

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