Answers

Investment: Mutual Fund

How does it operate?
- Investors pool their money. Professional portfolio managers manage the pool.

Characteristics
- What the manager buys indicates the type of fund
- Can contain anywhere from 90-200 companies
- Best for long-term investments

Examples
- International Stock Mutual Fund, Growth Stock Mutual Fund, Aggressive Growth Stock Mutual Fund, etc.
- Large-cap, Mid-cap, Small-cap

Average Risk
- SOME risk, but diversifying lowers the risk

Average Return
- 12%

Investment: Annuities

How does it operate?
- A savings account within an insurance company

Characteristics
- Two types of annuities are fixed and variable annuities
- Only as safe as the company is strong
- Grow without having to pay taxes until withdrawal
- There are fees attached

Examples
- Fixed or variable

Average Risk
- Low

Average Return
- Fixed—about 4%
- Variable—depends on mutual fund