

2 Investment Styles

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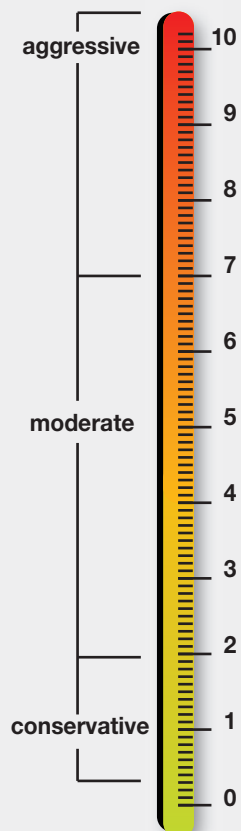
Investing Tips from Larry Dean

The key element that will determine your investing style is **risk tolerance**.

With all the market's ups and downs, investing can be stressful. That's why it's important to choose an investment style that works for you. The key element that will determine your investing style is **risk tolerance**.

Some people have a naturally high level of **risk aversion**. If this is you, go with investments that are virtually **risk-free**, like bonds and CDs. Perhaps you are considering **personal investments** to sustain you after **retirement**. You also should maintain a **conservative** investing approach. Stay in your **comfort zone**. Avoid the stress of market fluctuations.

Some of you, on the other hand, are more willing to take chances. You will risk great losses for a chance at great returns. You should go with a more **aggressive** investment approach in stocks. And for those of you in the middle, **moderate** investments are the way to meet your **goals**. Invest in mutual funds to limit risk but increase returns.



Get ready!

1 Before you read the passage, talk about these questions.

- 1 How willing are you to take risks with your money? Why?
- 2 How does risk affect a person's investing style?

Reading

2 Read the investment advice column. Then, choose the correct answers.

- 1 What is the purpose of the article?
A to evaluate levels of risk aversion
B to explain conservative investment strategies
C to compare high and low risk investments
D to give advice based on investment styles
- 2 What investments should people with moderate to high risk aversion NOT purchase?
A bonds
B CDs
C mutual funds
D stocks
- 3 According to the column, what are the benefits of bonds?
A They have almost no risk.
B They benefit from market fluctuations.
C They give higher returns than mutual funds.
D They provide a chance to make large profits.

Vocabulary

3 Write a word that is similar in meaning to the underlined part.

- 1 Most people are comfortable with a medium level of risk. _ _ d _ _ a _ _
- 2 Candice is a cautious investor. _ o _ _ e _ _ i _ _
- 3 Jon worked hard to meet his planned level of achievement. _ o _ _
- 4 His high reluctance to face the chance of loss keeps him from making most investments. _ _ s _ a _ _ r _ i _ _

4 Read the sentence pair. Choose where the words best fit the blanks.

1 personal investment / retirement

- A Dad went into _____ at age 60.
 B Buying the shop was a _____.

2 aggressive / risk-free

- A Joe made _____ investments, hoping for a huge return.
 B These government bonds are _____.

3 comfort zone / risk tolerance

- A Some stock purchases require a high _____.
 B CDs are safe and should be in any investors _____.

5 Listen and read the page from the investment advice column again. If you are not afraid of risk but at the same time like to play safe, what should you invest in?

Listening

6 Listen to a conversation between a financial advisor and a customer. Mark the following statements as true (T) or false (F).

- 1 ___ The customer has high risk aversion.
 2 ___ The advisor suggests investing in a moderate investment.
 3 ___ A mutual fund is out of the customer's comfort zone.

7 Listen again and complete the conversation.

Advisor: Well. The first thing to consider is how much **1** _____ you are willing to take.

Customer: I'm not sure. I certainly don't want to **2** _____.

Advisor: Okay. Are you willing to risk losing half of your money **3** _____ double it?

Customer: Yeah, but I couldn't handle losing much more than that.

Advisor: All right. You have a fairly **4** _____ of risk aversion.

Customer: So, what should I invest in?

Advisor: There are a number of options. A mutual fund is a fairly **5** _____ investment.

Customer: I've heard of those. They aren't **6** _____.

Advisor: They involve some risk, but nothing that would put you out of your comfort zone.

Speaking

8 With a partner, act out the roles below based on Task 7. Then, switch roles.

USE LANGUAGE SUCH AS:

The first thing to consider is ...
You have a ...
There are a ...

Student A: You are a financial advisor. Talk to Student B about:

- his/her level of risk aversion
- an appropriate investing style
- possible investments

Student B: You are a new investor. Talk to Student A about investing and risk.

Writing

9 Use the conversation from Task 8 to fill out the risk aversion worksheet for the client.

Jackson Investments
**New Client
 Risk Aversion**

Client Name: _____

How much of an investment is the client willing to risk? _____

Client's risk aversion level: _____

Suggested investments: _____

12 Loans

Get ready!

1 Before you read the passage, talk about these questions.

- 1 What are some reasons why people get personal loans?
- 2 What are some of the extra costs in mortgage loans?



To: Loyal Customer
 From: New Century Credit Union
 Subject: New Loan Offers!

New Century Credit Union is offering low-interest **personal** and ***auto loans**! We also have **mortgages** with 15 or 30 year **terms**. Our loan experts will advise you on **points** and rates.

Apply for a loan before summer and we will waive the **closing costs**. Take advantage of the historically low **interest rates**! The time to get a loan has never been better. And remember, **early payoff penalties** do not apply to short-term loans.**

Our financial experts look forward to working with you!

* Eligibility depends on **collateral** value, credit and loan amount.

** Short-term loans have terms of six years or less.

Reading

2 Read the email advertisement. Then, mark the following statements as true (T) or false (F).

- 1 ___ The email is confirming a customer's loan application.
- 2 ___ Mortgages do not have early payoff penalties.
- 3 ___ A loan with a five-year term is a short-term loan.

4 Fill in the blanks with the correct words and phrases from the word bank.

Vocabulary

3 Match the words (1-5) with the definitions (A-E).

- | | |
|---------------------|----------------|
| 1 ___ collateral | 4 ___ apply |
| 2 ___ points | 5 ___ mortgage |
| 3 ___ closing costs | |

- A real estate loan charges that lower interest rates
- B fees charged when a loan is signed
- C a loan where the borrower's house is used as collateral
- D to submit a loan application
- E an asset pledged by a borrower to secure an asset

Word BANK

interest rate auto loan
 early payoff penalty
 personal loan term

- 1 A(n) _____ for a used car is much less than one for a new car.
- 2 The loan has a six year _____.
- 3 If you pay points, you can get a lower _____ on your mortgage.
- 4 The bank charged a(n) _____ because Hank paid all of his loan before the term ended.
- 5 Bank customers can use a(n) _____ to make any type of purchase.

- 5 Listen and read the email advertisement again. What happens if you apply for a loan before summer?

Listening

- 6 Listen to a conversation between a teller and a bank customer. Choose the correct answers.

- 1 Why is the man at the bank?
 A to apply for an auto loan
 B to ask about paying his loan
 C to change the term of his loan
 D to request a lower interest rate
- 2 What did the man do recently?
 A receive money
 B pay back a loan
 C apply for a personal loan
 D take an early payoff penalty

- 7 Listen again and complete the conversation.

Teller: Hi, welcome to First Choice Bank.
 1 _____
 _____ you?

Customer: I have a question about my 2 _____
 _____.

Teller: Okay, what can I 3 _____?

Customer: Well, I just received a large sum of cash.
 I'd like to pay off the entire loan. Will I
 have an 4 _____?

Teller: No. We don't 5 _____ those anymore.
 But there is a waiting period.

Customer: Waiting period?

Teller: Yes. You have to wait at least six months
 into the term to pay off the loan.

Customer: I see. I'll have to 6 _____
 _____ a month or two.

Speaking

- 8 With a partner, act out the roles below based on Task 7. Then, switch roles.

USE LANGUAGE SUCH AS:

I have a question about ...

I'd like to ...

You have to wait ...

Student A: You are a bank customer. Talk to Student B about:

- a loan
- a large payment
- penalties

Student B: You are a bank teller. Answer Student A's questions about the charge on their account.

Writing

- 9 Use the conversation from Task 8 to fill out the receipt for a loan payment.

Loan Payment Receipt

Account Holder: _____

Account Number: _____

Type of loan: _____

Interest Rate / Term: _____

Loan Amount: _____

Payment Amount: _____

Early Payoff Penalty ? Y / N

Glossary

- access** [N-UNCOUNT-U11] To have **access** to your money is to have the ability to withdraw it.
- accounts payable** [N-UNCOUNT-U8] **Accounts payable** is a debt of money that a company owes its suppliers.
- accounts receivable** [N-UNCOUNT-U8] **Accounts receivable** is money owed to a company for products sold on credit, and can be seen as an asset.
- accrue** [V-I-U10] To **accrue** means to increase as a result of steady growth or addition.
- add** [V-T-U6] To **add** numbers is to combine them.
- adjustable** [ADJ-U2] If something is **adjustable** it can be put in various positions or settings.
- administrative** [ADJ-U14] If something is **administrative**, it involves the operation or management of something.
- advertising** [N-UNCOUNT-U14] **Advertising** is the publication of advertisements.
- and** [CONJ-U6] **And** is used when combining or adding numbers. For example, one and one equals two.
- application** [N-COUNT-U4] An **application** is a form someone fills out to request employment, admission or some other manner of involvement with an institution.
- apply** [V-T-U12] To **apply** for a loan is to submit a loan application and try to borrow money from a bank.
- assets** [N-COUNT-U8] **Assets** are anything of value that can be converted into cash or otherwise invested to gain profit.
- ATM** [N-COUNT-U11] An **ATM** (automatic teller machine) is a computerized machine that dispenses cash to the customer.
- auto loan** [N-COUNT-U12] An **auto loan** is a loan to buy a car.
- balance sheet** [N-COUNT-U8] A **balance sheet** is a document that shows an analysis of a business's assets, liabilities, and owner's equity.
- bill pay** [N-UNCOUNT-U11] '**Bill pay**' is an online bill paying service that pays bills online instead of through paper checks.
- binder** [N-COUNT-U1] A **binder** is a plastic cover with rings in the spine for holding together loose sheets of paper.
- bookcase** [N-COUNT-U2] A **bookcase** is a piece of furniture with several shelves for holding books.
- bottom out** [V-PHRASAL-U7] To **bottom out** is to reach a lowest point.
- budget** [N-COUNT-U15] A **budget** is an amount of money that is available for a particular purpose.
- business plan** [N-COUNT-U4] A **business plan** is the official written statement of a business's goals and its intended methods of achieving those goals.
- business performance** [N-UNCOUNT-U14] **Business performance** describes the activity of a business in terms of how good or bad it is.
- C Corporation** [N-COUNT-U13] A **C Corporation** is a public company whose shares may be traded.
- cash** [N-UNCOUNT-U5] **Cash** is money in the form of government issued paper banknotes.
- cash advance** [N-COUNT-U5] A **cash advance** is a payment of cash money to an employee of a company, prior to a designated date of payment, the amount of which will be deducted from his or her paycheck on the date of payment.
- cash budget** [N-COUNT-U15] A **cash budget** is an estimate of future cash payments and receipts over the course of a particular period.
- cashier's check** [N-COUNT-U11] A **cashier's check** is a check drawn from the bank itself, rather than the customer's account.
- change** [N-UNCOUNT-U5] **Change** is an amount of money, usually small, made up of coins.
- charge** [N-COUNT-U9] A **charge** for services is the price asked for performing them.