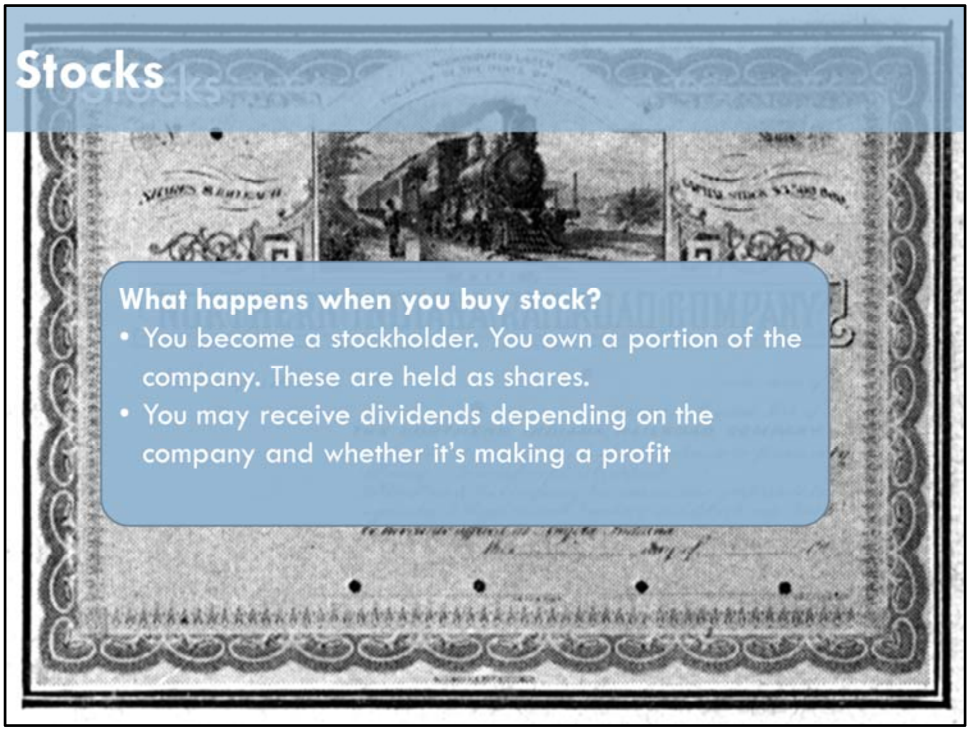
Are you willing to take some risks with your money to make more money? All investments come with some level of risk, it's just a matter understanding what those risks are to see if they're right for you and your financial goals.

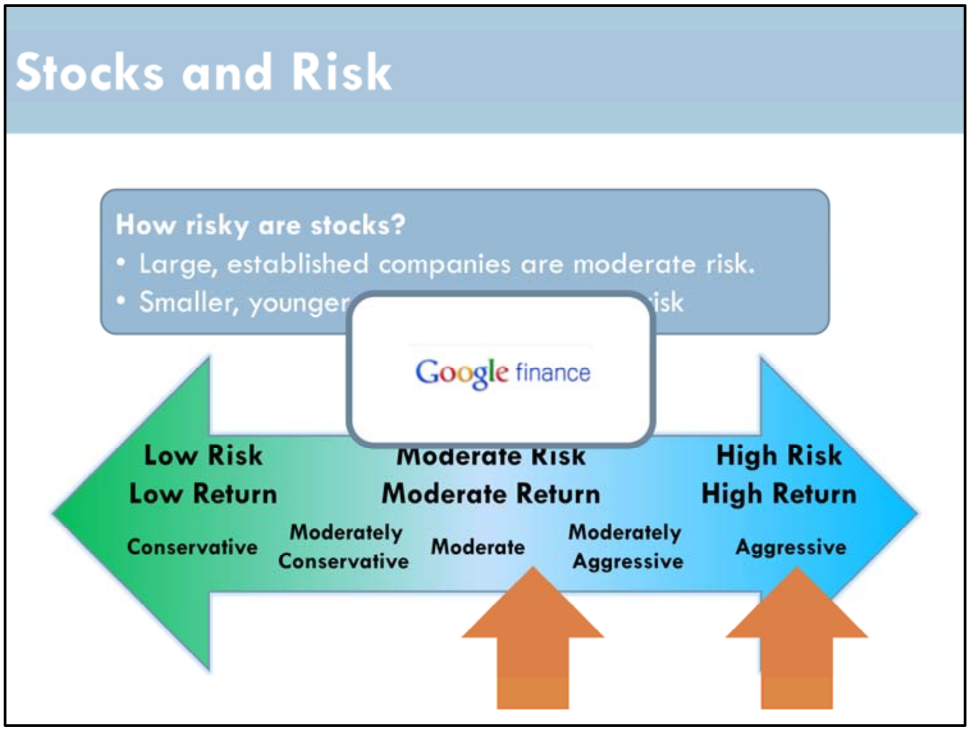
Let's take a look at some of the most common medium and higher risk investments that you might consider putting your money into.



When you buy a shares of a company's stock, you are buying a portion of that company. As a stockholder, you are now a part owner in the company. The more shares you own, the more you own of the company. Most of the time, when you hear about the stock price for a company on the news, they are talking about the price per share. When you go to buy company shares, you'll pay the current market price per share, which changes throughout the day, plus any commissions. You'll receive the market price when you sell your stock.

As a stockholder, you have certain voting rights, however, it's not a democracy. The weight of your vote varies with the size of your investment. Those people or institutions that own a lot of stock have more say in how the company is run.

Depending on the company, you may receive dividends, or company profits that are distributed to shareholders during profitable times.



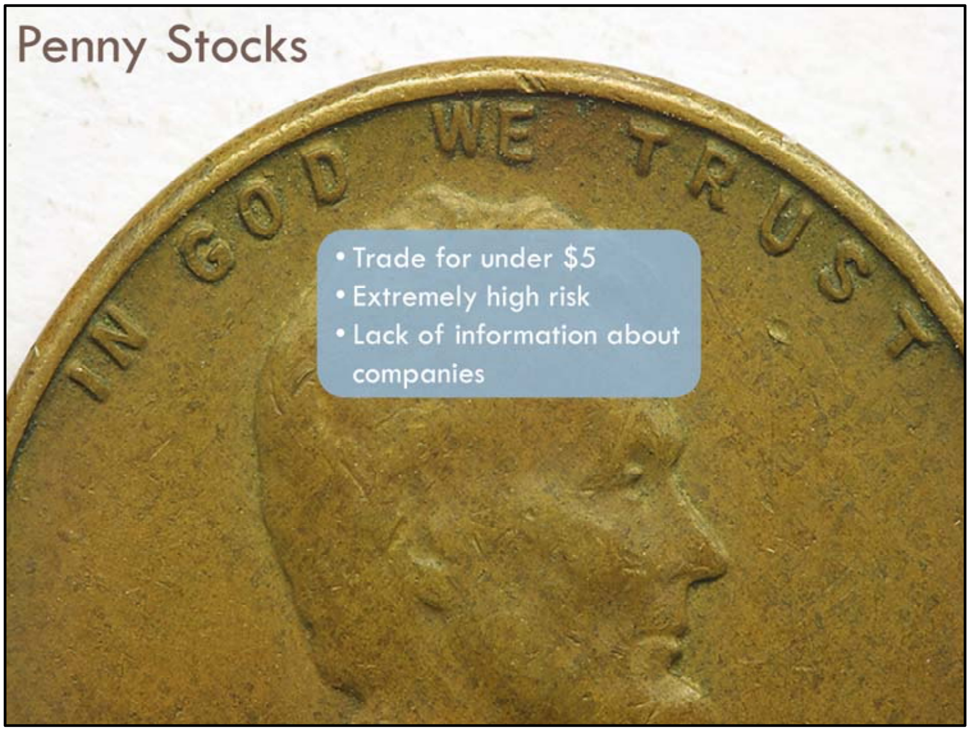
How risky are stocks? That depends a lot on the company. If you are investing in a large company like Coca Cola®, the risk of losing all of your money, or the possibility of making a lot money, isn't very large, but it's always there.

Buying stock in a smaller, younger company is usually higher risk, which sometimes pays off with high returns. For example, if you bought one hundred dollars of Microsoft stock when it was first issued in 1986, it would be worth close to thirty-eight thousand dollars in early 2011. If however, you bought one hundred dollars of Microsoft stock at the height of the stock market boom in 1999 and you still own the stock, it would be worth about fifty dollars. No stock is a sure bet.

Regardless of the company, buying individual company stocks always carries the risk that you could lose all of your money. For example, General Motors is a large company that has been around for a long time, but in 2009, the company declared bankruptcy thereby rendering all outstanding shares in the company worthless. Anyone who owned the stock at the time of bankruptcy lost all of the money that they had invested.

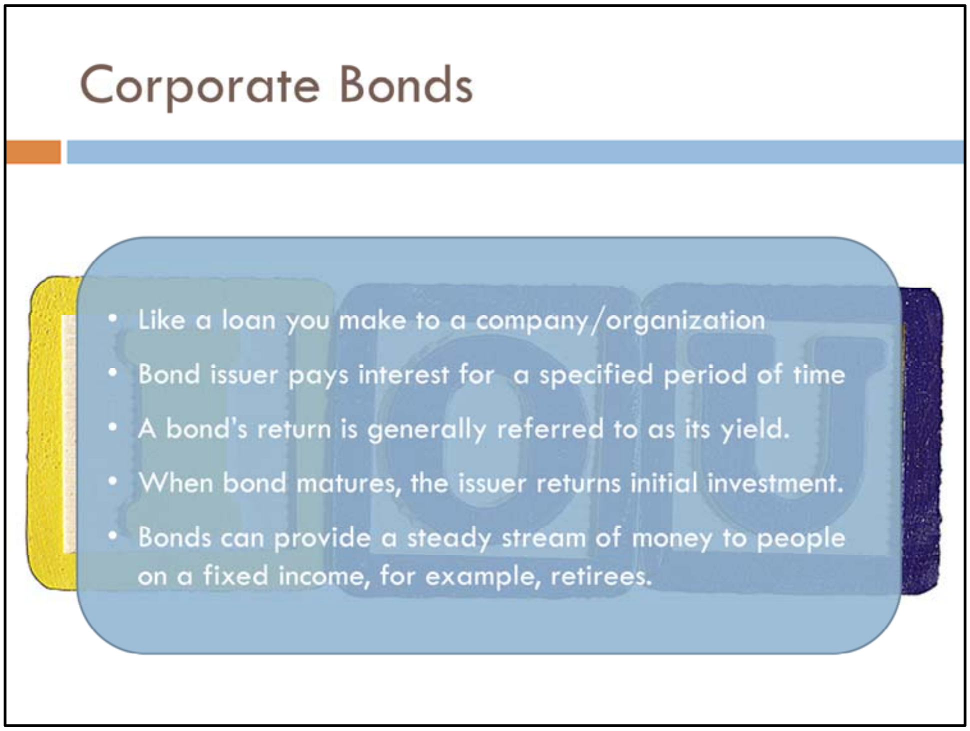
Remember, stock prices increase and decrease continuously. Stocks are not guaranteed like a CD. Historically speaking, stocks are great long term investments, however, you could lose all your money.

Check out the current value of your favorite company using the Google finance link here. Use the slider bar to see how the stock price has changed over time.

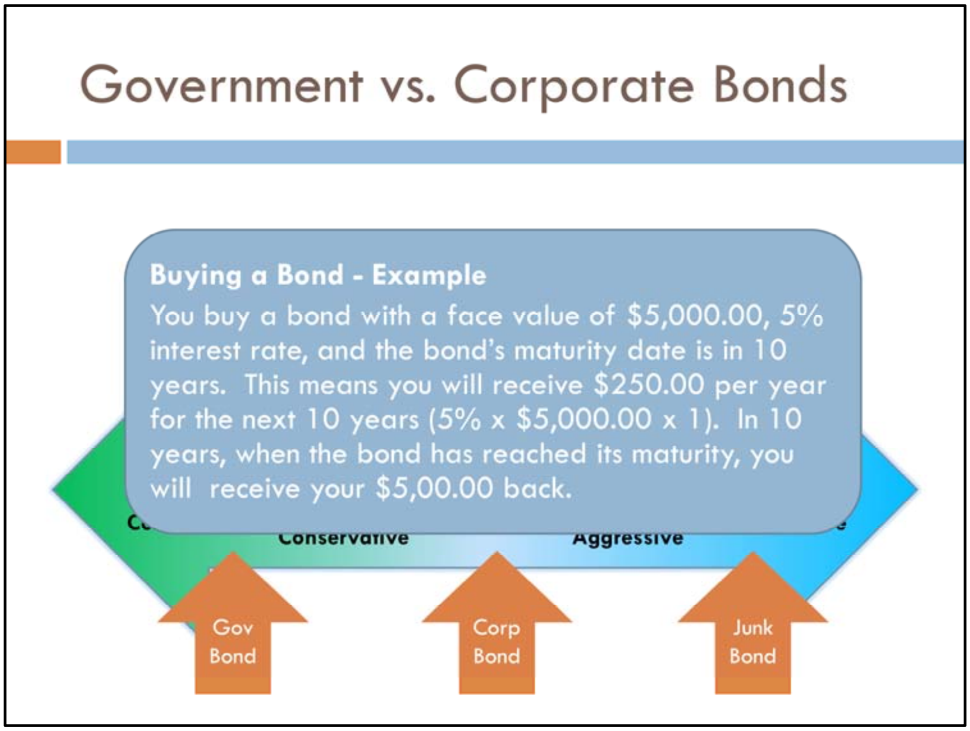


A final type of stock you might hear about are penny stocks. These are stocks that are generally traded somewhere under five dollars. Penny stocks are extremely high risk because these companies often are so small that they don't have the same requirements to provide information about their operations as larger companies, such as income and profitability. When it comes to investing in the stock market, having as much information as you can about a company is one of the best ways to understand the risks involved in buying the stock.

It may sound like a good deal when you can buy one thousand shares of a small company for one thousand dollars, while you might only be able to buy about three shares of Apple®, but there's a much higher possibility that you might lose all of your money by buying penny stocks, which often fluctuate wildly. Unless you're really willing to do the research, and you know you've got legitimate information about the company, leave penny stocks alone.



We talked about government bonds earlier—here we are talking about corporate bonds. They function the same way. In essence, when you buy a bond, you are lending money to a company for a certain length of time at a certain interest rate. The company, also known as the bond issuer, pays you interest on a regular basis. This can be great for people on a fixed income, like retirees, who need to supplement their retirement.

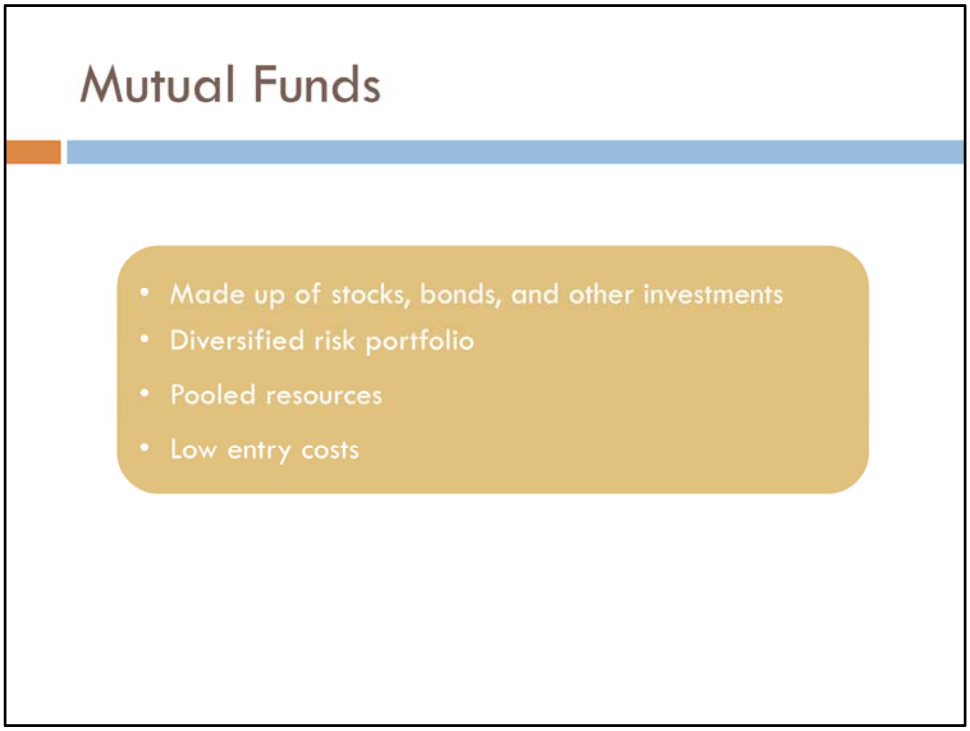


The primary difference between a government bond and a corporate bond is the amount of risk involved. Government bonds are considered one of the lowest risk investments because they are backed by the U.S. Government. The likelihood that the federal government would go bankrupt is very slim.

Companies, on the other hand, do go bankrupt, and while bond holders are often first in line to get paid with any assets a bankrupt company has, there's no guarantee this will happen. Because of this risk, corporate bonds normally offer higher interest rates than government bonds. The level of risk involved with a corporate bond reflects the strength of the company. If you are buying bonds from a company with a good credit rating, the risk of default is lower, so the bond will pay a lower interest rate than a bond issued by a company with a lower credit rating.

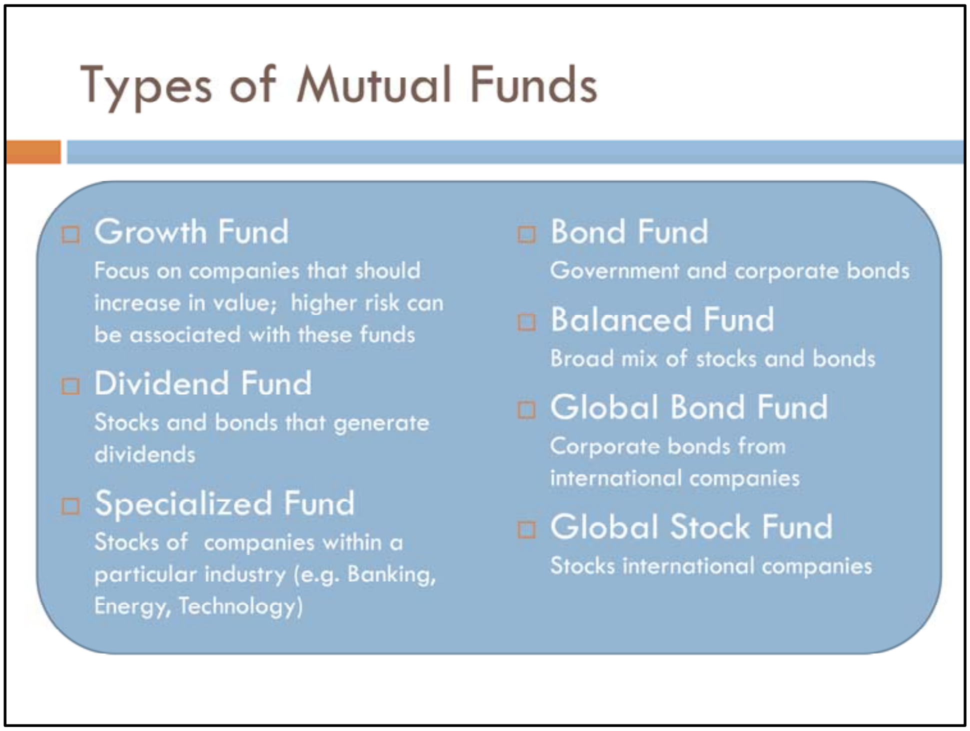
In fact, there is even a special category of high risk corporate bonds called "junk bonds" that pay high rates of return because of the risk factor. All bonds are rated by independent credit agencies. If these agencies rate a bond below investment grade, it's considered a "junk bond". Because they are below investment grade, they are considered speculative investments. Only investors with lots of experience should purchase junk bonds.

Look at this example of how you would be paid on a corporate bond.



Earlier we talked about mutual funds, which are combined funds of a variety of investments like stocks, bonds, and other investments. These funds are monitored by investment professionals who buy and sell the various underlying assets based on investment goals, such as being low-risk, or buying stock in technology companies. Buying shares in a mutual fund enables you to buy a number of different investments in order to diversify your portfolio and lower your risk exposure.

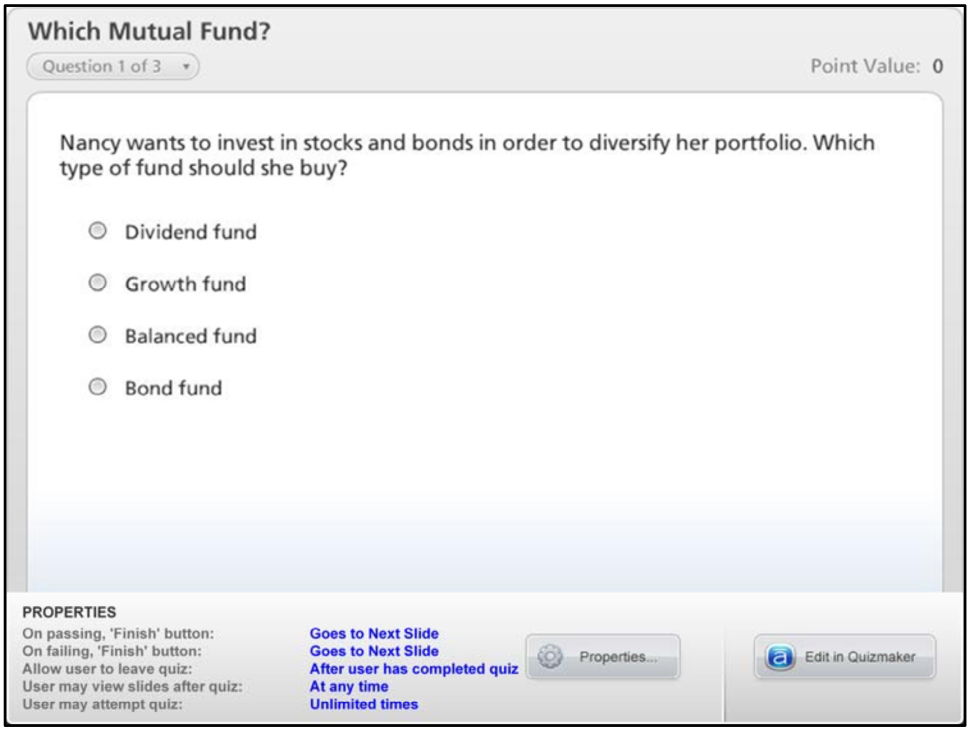
As a mutual fund investor, you are pooling your resources with other investors. In return, you get a number of benefits, such as professional account management services, a diverse portfolio of assets, lower potential risk, and all at a relatively low price.

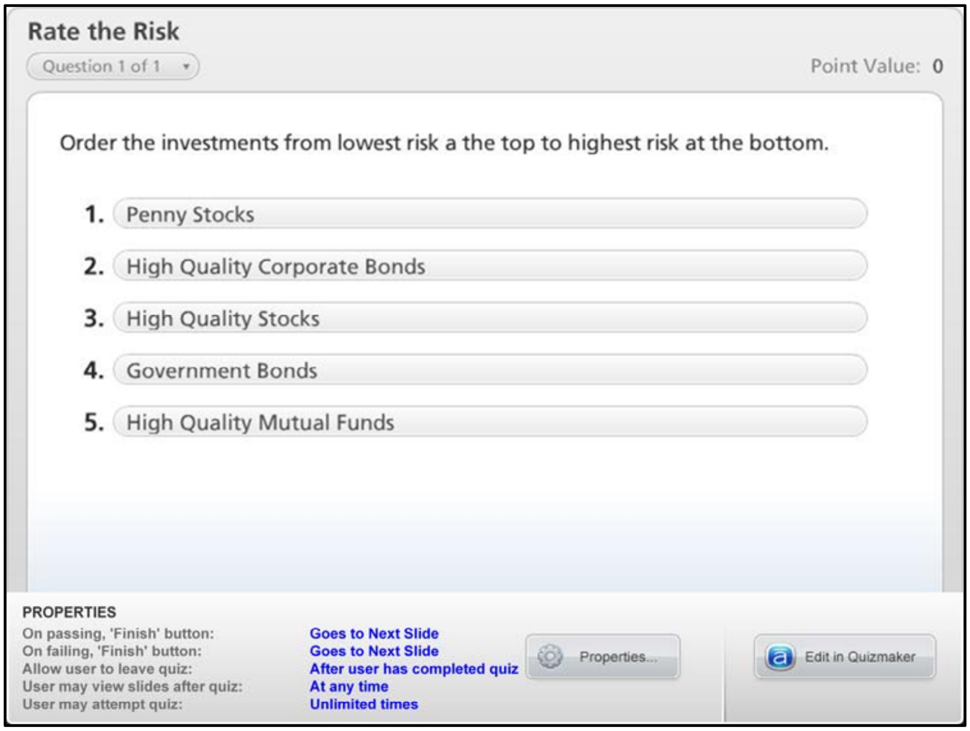


There are literally thousands of types of mutual funds that you can buy. When you look at the different types of brokerages later in this lesson, you'll see that some brokerages say they offer access to over fourteen thousand different mutual funds! Each of these funds is set up to achieve certain investment objectives and consequently, the fund manager, the person or persons responsible for buying and selling investments in the fund, might invest in every kind of asset imaginable depending on the fund's objectives.

Here is a list of some of the different types of mutual funds available to you. Funds come in all levels of risk from low to high. One of the best things about mutual funds is that you can easily research their past performance. Like all investments, remember that past performance does not guarantee future results. When it comes to picking a fund, look for ones that have performed well for years, or decades. Just because one fund has done exceptionally well over the past few months doesn't mean it's going to do well in the future. Also, try to pick funds that have low fees so that you don't give your profits to the company that manages the funds.

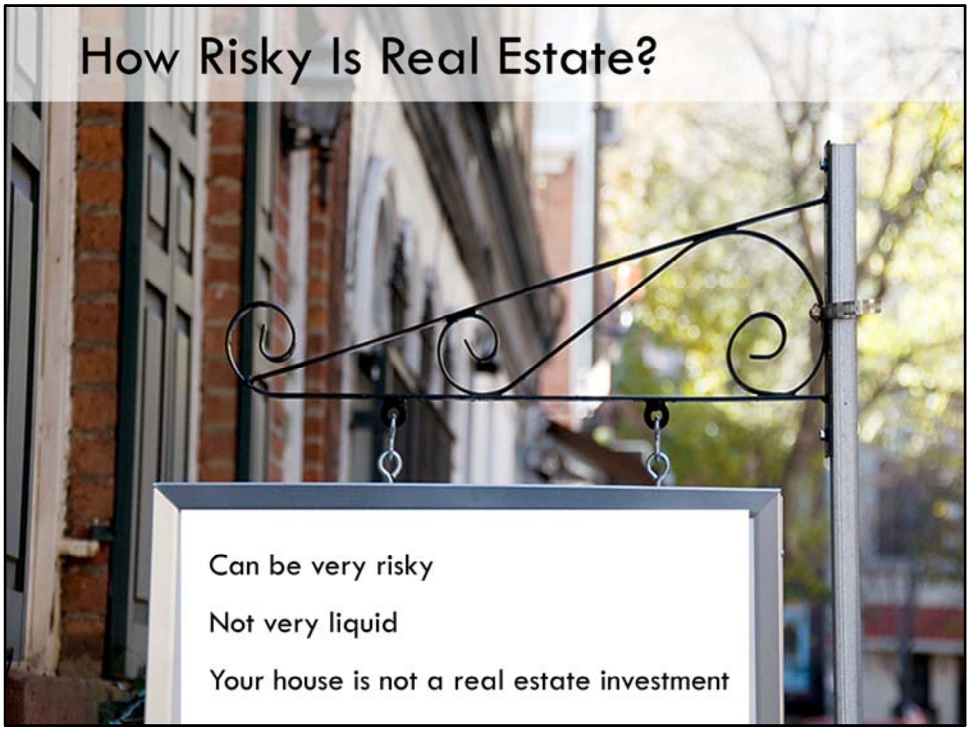
It costs money to buy and sell mutual funds. Pick funds that you're going to hold for a while in order to maximize your returns, and minimize the impact of any fees.


Which Mutual Fund?
Question 1 of 3
Point Value: 0
Nancy wants to invest in stocks and bonds in order to diversify her portfolio. Which type of fund should she buy?
Dividend fund
Growth fund
Balanced fund
Bond fund
PROPERTIES
On passing, 'Finish' button: Goes to Next Slide
On failing, 'Finish' button: Goes to Next Slide
Allow user to leave quiz: After user has completed quiz
User may view slides after quiz: At any time
User may attempt quiz: Unlimited times
Properties...
Edit in Quizmaker


Rate the Risk
Question 1 of 1
Point Value: 0
Order the investments from lowest risk a the top to highest risk at the bottom.
1. Penny Stocks
2. High Quality Corporate Bonds
3. High Quality Stocks
4. Government Bonds
5. High Quality Mutual Funds
PROPERTIES
On passing, 'Finish' button: Goes to Next Slide
On failing, 'Finish' button: Goes to Next Slide
Allow user to leave quiz: After user has completed quiz
User may view slides after quiz: At any time
User may attempt quiz: Unlimited times
Properties...
Edit in Quizmaker

While the majority of people buy real estate to live in, some investors buy property or land, hoping to generate a profit.

Some of the ways you can invest in real estate are to buy a house or apartment and rent it out to tenants. The rent, hopefully, will cover the mortgage and some expenses, and if you're lucky, might even generate some income. You could also buy houses or land with the hope that the price will go up enough to cover your costs.



How risky is investing in real estate? If you've listened to the news over the past few years, you may have heard that the value of houses and much real estate has dropped in different parts of the country. Many people owe more for their houses than they are worth. If they sold their houses right now, those people would lose money. Many people also borrowed more than they could afford since they believed the value of real estate would keep rising, and if they couldn't afford to pay the mortgage, they could always sell their house. Many of these people have had the banks foreclose on their properties, meaning the bank took their houses away.

Given the current real estate market, investing in real estate can be a very risky proposition. Like stocks, some real estate investments are lower risk than others; it's important to research your local market so that you know what those risks are.

Finally, real estate is one of the least liquid investments. With most of the other investments we've been talking about, you can usually find a buyer pretty quickly, if you're willing to take the market price. Selling a house or land can be much trickier, and can take months or years before you get the price your looking for.

While the value of a house that you buy to live in may go up over time, it is not an investment in real estate—it's a place for you to live. This is very different than buying rental property to generate income or as investment and should not be thought of in the same way. If you lose your rental property because you can't pay the mortgage, you lose the property, while if you lose the house you're living in, you could be out on the street.

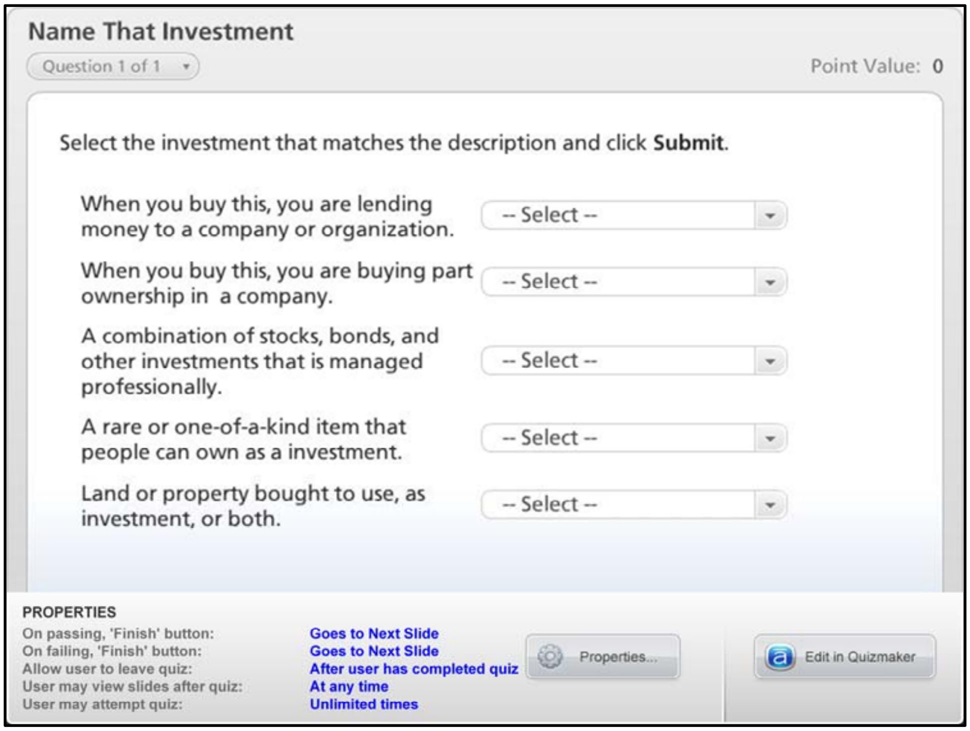
What do you think of this painting? Do you like it? Is it art?

An art collector would probably ask, can I sell it, and how much money will I make?!

One-of-a-kind items like works of art, or extremely rare items like antiques or baseball trading cards are called collectibles.

Collectors buy these items hoping that they will increase in value, just like other investments. Collectibles are usually very risky investments, unless you bought the original Babe Ruth baseball card at the store for a dime, or you found a rare painting at someone's garage sale. The market is small for collectibles and you won't know whether you made a profit or lost money until you sell your items.

You might think a painting is beautiful, and pay the artist a lot of money for their work, but you may find out later that you were the only one that liked that painting, and no one else is willing to pay any money for it.


Name That Investment
Question 1 of 1
Point Value: 0
Select the investment that matches the description and click Submit.
When you buy this, you are lending money to a company or organization.
-- Select --
When you buy this, you are buying part ownership in a company.
-- Select --
A combination of stocks, bonds, and other investments that is managed professionally.
-- Select --
A rare or one-of-a-kind item that people can own as a investment.
-- Select --
Land or property bought to use, as investment, or both.
-- Select --
PROPERTIES
On passing, 'Finish' button: Goes to Next Slide
On failing, 'Finish' button: Goes to Next Slide
Allow user to leave quiz: After user has completed quiz
User may view slides after quiz: At any time
User may attempt quiz: Unlimited times
Properties...
Edit in Quizmaker


How Much Can You Make By Investing?
Question
What's the return?
Let's see how much your rate of return affects what your investments will make. Select the link to open the investing money chart at the Sense and Dollars website.
Enter the amounts shown here.
Show Me the Money!
$1,000
$5,000
$10,00
PROPERTIES
On passing, 'Finish' button: Goes to Next Slide
On failing, 'Finish' button: Goes to Next Slide
Allow user to leave quiz: After user has completed quiz
User may view slides after quiz: At any time
User may attempt quiz: Unlimited times
Properties...
Edit in Quizmaker