

INVESTMENT PRODUCTS

Comparing Stocks, Bonds, and Cash

Detailed practice, calculation, decision-making, and assessment

GRADES 9-12	TIME 2 x 42 min	GROUPING I / pairs / whole	PRODUCT Product comparison memo
YOUR CHALLENGE Compare ownership, lending, and cash-based choices; calculate a fictional one-year return; and match product features to a goal without assuming any result is guaranteed.			

Three Roles for Money

A stock represents part ownership in a company. A bond is a loan to an issuer. A cash or cash-equivalent choice focuses on access and stability. Each has different sources of return, risks, and time-horizon uses.

Product	What the investor owns	Possible return	Important risk
Stock	A share of ownership in a company.	Price growth and possible dividends.	Price can fall; dividends are not guaranteed.
Bond	A debt security issued by a borrower.	Interest and repayment of principal if obligations are met.	Issuer default and price changes before maturity.
Cash equivalent	A short-term, highly liquid holding.	Interest.	Inflation may reduce purchasing power.
CAREFUL “Lower risk” does not mean “no risk.” Product names alone do not reveal every fee, condition, issuer risk, or protection.			

Part 1 - Identify the Product

Scenario	Stock, bond, or cash?	Evidence
An investor buys 20 shares and may vote on company matters.		
A city promises interest and principal repayment on stated dates.		
Money is held for a purchase planned in three months.		
A corporation borrows from investors for ten years.		
An investor may receive a dividend, but none is promised.		

Explain the difference between owning part of a company and lending money to an issuer.

Part 2 - Calculate Fictional One-Year Results

Choice	Starting amount	Ending market value	Income received	Total gain or loss	Percent return
Stock	\$1,000	\$1,150	\$20		
Bond	\$1,000	\$980	\$40		
Cash equivalent	\$1,000	\$1,025	\$0		

Use: total gain or loss = ending value - starting amount + income. Percent return = gain or loss / starting amount x 100.

Part 3 - Examine What the Numbers Do Not Show

Question	Stock	Bond	Cash equivalent
Is the one-year result guaranteed?			
Could market value change?			
What creates income?			
What happens if money is needed early?			
What fact must be researched?			

Why might a bond show a lower market value even while paying interest? Why does one strong stock year not prove that stocks fit every goal?

Part 4 - Match Features to Goals

Goal	Time horizon	Main need	Feature to prioritize	Risk to discuss
Emergency reserve	Now	Fast access		
Trade-school tuition	3 years	Deadline protection		
Retirement	35 years	Long-term growth		

Recommend a feature to emphasize for each goal. More than one product may be used in a complete plan, so explain your reasoning instead of naming a universal winner.

Part 5 - Product Comparison Memo

Decision check	My evidence
Ownership or lending role	
Source of return	
One-year calculation	
Liquidity need	
Time horizon	
Major risk	
Diversification question	
Fact still needing research	

Write a 150-200 word memo for one goal. Compare all three product categories, include one calculation, explain one tradeoff, and state that returns and repayment depend on the product and issuer.