Investments and Savings: Potential and Risks

Bonds

When you buy a bond, you lend money to a company or government for a set amount of time. It can be as long as 30 years. The borrower promises to pay your money back with interest. If they are not able to pay the money back, you could lose your money.

Compound interest

This is a low-risk savings option where, in addition to the interest you earn on your savings deposit, you earn interest on your interest. The longer you keep your money in the account, the more interest you can earn.

CDs (certificates of deposit)

When you buy a CD from a bank, you deposit funds for a set term. It can be six months, one, two, or five years. At the end, the bank pays you back the money with interest. This is a low-risk investment.

Stocks

When you buy stock in a company, you own a tiny piece of a company. If the company's stock price rises, you make money. Some stocks pay out extra money, called dividends. If the stock price lowers, you lose money. You can also make money by selling your shares to another buyer for more than you paid.