

Dollar cost Averaging:

You put the same amount of money every time in an investment. This results in your buying more shares when the investment is low and less shares when the price is higher.

Put \$100 in 401k every
paycheck:

<u>Share price</u>	<u># shares</u>
\$ 5.00	20.00
\$ 8.00	12.50
\$ 6.00	16.67

<u>Total cost</u>	<u>Total shares</u>	<u>Current Value</u>	<u>Total Current Value</u>
\$ 300	49.17	\$ 6.00	\$ 295.02

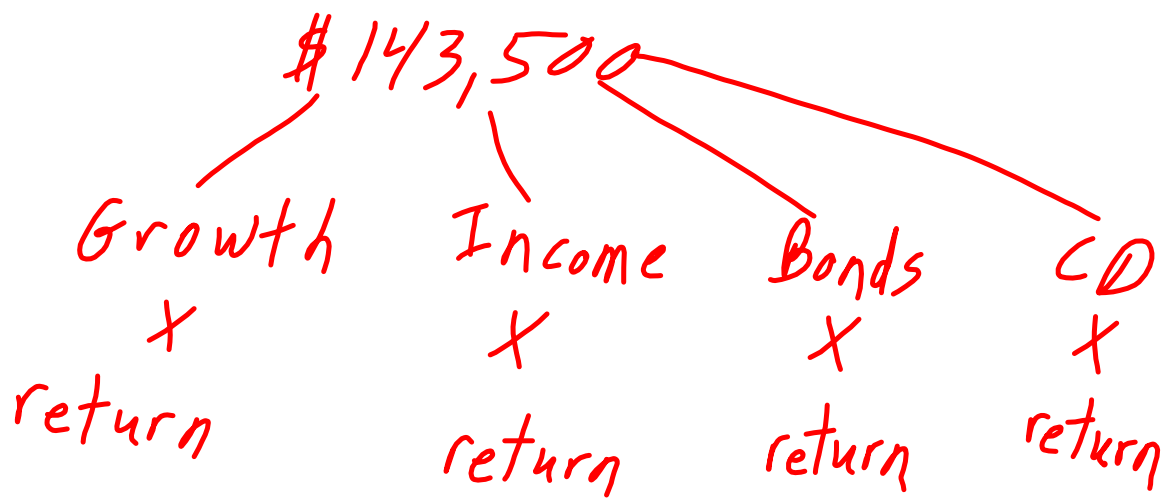
If shares go up to \$10.
You made money on all purchases.

Amelia inherited \$37,000, which she invested. She invested 13% into a growth stock, 27% into an income stock, 30% into corporate bonds, and the remainder into a 10-year certificate of deposit (CD). How much money did she allocate to each category of investment?

Type	%	\$37,000
Growth stock	13	\$4,810
Income stock	27	\$9,990
Bonds	30	\$11,100
CD	30	\$11,100
		\$37,000

Amelia inherited \$143,500, which she invested. She invested 22% into a growth stock, 42% into an income stock, 12% into corporate bonds, and the remainder into a 10-year certificate of deposit (CD). How much money did she allocate to each category of investment?

Type	%	\$143,500
Growth stock	22	31,570
Income stock	42	60,270
Bonds	12	17,220
CD	24	34,440
		<u>\$143,500</u>



Kaitlyn currently invests as follows:

21% in corporate bonds

18% in growth and income stocks

24% in an interest bearing checking account

6% in CDs

31% in speculative stocks

Years ago Kaitlyn received a \$121,000 bonus from her job. She invested it and earned the following:

The corporate bonds earned a total of 5%.

The growth and income stocks earned 14%.

The CDs earned 1.2%.

The speculative stocks earned 35% of their value.

The checking account grew 1%.

Compute the net monetary gain or loss

Step 1 Create the allocation table

Type	% allocated	\$ 121,000
Bonds	21	25,410
Growth stocks	18	21,780
checking	24	29,040
CDs	6	7,260
speculative stocks	31	37,510
Total	100%	<u>\$121,000</u>

Type	% allocated	\$ 121,000	% earned	\$ earned
Bonds	21	25,410	5	1270.50
Growth stocks	18	21,780	14	3049.20
checking	24	29,040	1	290.40
CD	6	7,260	1.2	87.12
Speculative stocks	31	37,510	35	13128.50
Total	100%	<u>\$121,000</u>		<u>\$17,825.72</u>

Kaitlyn currently invests as follows:

16% in corporate bonds

28% in growth and income stocks

7% in an interest bearing checking account

4% in CDs

45% in speculative stocks

Years ago Kaitlyn received a \$75,000 bonus from her job. She invested it and earned the following:

The corporate bonds earned a total of 3.7%.

The growth and income stocks earned 19%.

The CDs earned 1.2%.

The speculative stocks lost 53% of their value.

The checking account grew 1%.

Compute the net monetary gain or loss.

Type	% allocated	\$ 75,000	% earned	\$ earned
Bonds	16	12,000	3.7	444.00
Growth stocks	28	21,000	19	3,990.00
checking	7	5250	1	52.50
CD	4	3000	1.2	36.00
Speculative stocks	45	33750	-53	-17887.50
Total	100%	\$ 75,000		\$ -13,365.00

Claire has \$12,000 she would like to invest for the next four years. She is considering purchasing 240 shares of stock in Castellano Corporation. The annual dividend is \$1.84 per share. Dividends are paid quarterly.

a) How much would Claire's investment earn in dividends in the four years?

b) If she sells the stock after four years for \$10,500, how much will she have gained or lost over the four years?

$$\textcircled{a} \ \$1.84 \times 4 \text{ years} \times 240 \text{ shares} =$$
$$\text{\$17,666.40 dividends}$$

\textcircled{b} Sales price	10,500.00
- Cost	-12,000.00
+ Dividends	+ 1,766.40
<u>Gain/(Loss)</u>	

266.40 gain

Claire has \$135,000 she would like to invest for the next 6.5 years. She is considering purchasing 23,448 shares of stock in Castellano Corporation. The annual dividend is \$.62 per share. Dividends are paid quarterly.

- a) How much would Claire's investment earn in dividends in the 6.5 years?

- b) If she sells the stock after four years for \$10,500, how much will she have gained or lost over the 6.5 years?

⑥ $\$0.62 \times 6.5 \text{ years} \times 23,448 \text{ shares}$

$\$94,495.44 \text{ dividends}$

⑥ Sales price
- Cost
+ Dividends

Gain/(Loss)

10,500.00
- 135,000.00
+ 94,495.44

$-30,004.56 \text{ loss}$