Where Money Lives

Banks, cards, and investments: how they work, and how risk trades off with return.

Name: _____ Date: _____

OBJECTIVE

Explain the roles of money, compare financial institutions and payment methods, and evaluate the risk and return of common savings and investment options.

1. The three jobs of money

____ 1. Medium of exchange

____ 2. Store of value

____ 3. Unit of account

A. A common way to measure and compare the value of things, like a price tag

B. Something you can hold onto and spend later without it rotting or spoiling

C. Something accepted in trade for goods and services

2. Compare financial institutions

For each, note one advantage and one risk or cost.

Institution	Advantage	Risk / cost
Bank		
Credit union		
Payday lender		
Title pawn lender		

3. Payment methods

Method	Widely accepted?	Main risk
Cash		
Debit card		
Credit card		
Prepaid card		
Mobile payment app		

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4. Rank the risk-return ladder

Number these 1 (lowest risk, lowest typical return) to 6 (highest risk, highest potential return).

Rank	Option
___	Savings account
___	Certificate of deposit (CD)
___	Bonds
___	Mutual funds
___	Individual stocks
___	Cryptocurrency

DISCUSS

Table debate: find a classmate who ranked two of these options in a different order than you did. Each of you gets 60 seconds to argue why your ranking is right before you compare notes and revise if you're convinced.

STANDARD NOTE

SSEPF3e singles out speculative investments, cryptocurrency today, buying on margin in the 1920s historically, as high-risk bets driven by price swings rather than underlying business value.

5. Why does diversifying across several investment types (not just one stock) reduce risk? Give one concrete example.