

Investment Choices

Key financial ideas

- ★ Different financial organisations offer different investment opportunities.
- ★ Investors have different needs, so they need a range of choices.

You need

- ★ a calculator

Activity

Tavita is Kalala's brother. He is 14 years old. He likes reading about ways to invest money. When he gets Granny's email, he's delighted.

Now's my big chance to start investing!
I'm too young to invest money on my own, but Mum and Dad have agreed to invest my \$1,000 for me.



Tavita starts by investigating current interest rates. He finds a table in the newspaper that shows different term deposit rates (p.a. means per annum, that is, per year):

	Minimum amount	6 months' deposit interest rate % p.a.	1 year's deposit interest rate % p.a.	3 years' deposit interest rate % p.a.
Growgroup	\$5,000	7.15	7.50	8.00
Earnlots	\$10,000	7.00	7.00	6.25
Buswhiz	\$1,000	9.00	9.85	10.25
Bingcorp	\$500	–	8.75	9.00
Farmbankers	\$3,000	7.10	7.50	7.80
Financeinc	\$1,000	–	9.00	8.50
Myson	\$1,000	7.00	9.80	9.00

- Which of the above companies could Tavita invest with? Explain your answer.
 - For each of these companies, which term offers the best rate?
 - How much interest would Tavita earn on each company in 1a if he invested for 3 years? (You'll need to apply what you learned about compound interest on pages 10–11.)
- 6 months?
 - 3 years?

You can work out compound interest quite quickly. For example, one way to work out \$1,000 at 5% for 3 years is:
 $\$1,000 \times 1.05 \times 1.05 \times 1.05$.



Reflective question

- ★ Where can people find out information about different investments?