

WHY INVEST

People choose to spend their money in many ways. The bulk of most people's income goes for day-to-day living expenses – food, shelter, and clothing. But even if you live a no-frills lifestyle, it is important to make some investments for the future. A relatively small sum invested appropriately each year can make an important contribution to your long-term financial security.

Investing often involves deferring or giving up current consumption. This is done to increase wealth and build future purchasing power. For example, to buy 100 shares of a stock, a vacation might be postponed. If the investment is successful, however, the profits from it could fund future vacations or a year of a child's college education.

Specific investment decisions should be based on a consideration of risk versus reward. Some investments are riskier than others, and investors' tolerance for risk varies. In general, greater risk to the investor should be offset by the probability or potential for a greater reward – a greater return on investment. The return is simply the gain or loss in the value of the investment, plus any interest or dividend payments. Returns are typically reported in pretax dollars.

Investments can provide a way to keep up with or stay ahead of inflation. While inflation rates have fallen sharply from the peak levels of 1979-80, the dollar is still shrinking in value. A dollar squirreled away in a safe deposit box in 1980 had only about 50 cents of buying power in early 2002. Although every investment carries some risk, it may be even more hazardous not to invest.

An investment's so-called real rate of return is measured in terms of purchasing power, which is the nominal rate of return adjusted downward for inflation. Among the kinds of investments common stocks historically have provided the best gains in purchasing power, followed by corporate bonds. U.S. Treasury bills, considered the safest investment recorded a compound annual rate of return of 3.8% over the period from 1926 to 2001, outpacing inflation by less than one percentage point.

Getting started with investing as early as possible can make a big difference

in how much wealth is ultimately accumulated.

The benefits of saving early in life are greatly magnified by compounding. In this process, the growth of an investment's value is computed on the sum of the original investment, including the assumption that dividends or interest are reinvested in the same asset.

The amount of wealth accumulated is also substantially affected by seemingly small differences in the annual rate of return.

⇨ 1.2 VOCABULARY NOTES AND COMMENTARIES

account рахунок

margin account маржовий рахунок

asset актив авуар

bond облігація

brokerage company брокерська компанія

consumption споживання

consumption tax syn. VAT (Value Added Tax) податок на додану вартість

dividend дивіденд

exchange біржа

income прибуток

income bond облігація з участю у прибутках

income investment company інвестиційна компанія, орієнтована на отримання прибутків а не на приріст капіталу

income received in advance, accrued liabilities нарахована кредиторська заборгованість

income shares “доходні” акції

income warrant “доходний” варант

income yield сумарний дохід інвестора протягом періоду володіння капіталом

interest відсоток

investment інвестиція

investment bank інвестиційний банк

investment certificate інвестиційний сертифікат

investment club інвестиційний клуб

investment company інвестиційна компанія

investment grade securities цінні папери інвестиційного класу

investment portfolio інвестиційний портфель

profit прибуток

profit and loss statement рахунок прибутків і збитків

profit margin частка прибутку в ціні, маржа прибутку

profit taking реалізація прибутку; продаж фондових цінностей при підвищенні їх курсу

profitability рентабельність, прибутковість

purchasing power *syn. buying power* купівельна спроможність

return дохід, що реалізовано, або збиток на капітал, що інвестовано; окупність; віддача

return on equity (ROE) *syn. return on capital* доходність капіталу

share акція

stock акція, акціонерний капітал

Treasury bill – короткостроковий скарбничий вексель

volatility волатильність; нестабільність, схильність до різких коливань, нестійкість

✍ 1.3 INSERT THE WORDS (change the word form if necessary):

income, investment, stock, dividend, interest, deposit, bond, return, asset

1. There are various scenarios for which you may have received a ... charge to your account.
2. Some companies classify their dividends as "... on capital".
3. We have reported the gross ... and separately listed the foreign tax withheld.
4. One should be advised that certain ... instruments may reallocate payments.
5. When opening a brokerage account he signed up for a direct
6. He transferred his ... from the bank to the brokerage account.

7. At a brokerage company you can trade ... and ... listed on any major exchange.
8. During the previous fiscal year the company experienced substantial declines in....

✎ 1.4 INSERT THE PREPOSITIONS WHERE NECESSARY

... the year ended September 30, 2002, revenues declined ... 42 percent compared ... the prior year, ... \$21.3 billion ... \$12.3 billion, and the loss ... continuing operations was \$3.51 per share, compared ... a loss of \$4.18 per share for fiscal 2001.

... a segment basis, revenues ... the year ... Integrated Network Solutions decreased 48 percent, ... \$6.4 billion, compared ... fiscal 2001. On June 1, 2002, we completed the spinoff ... our microelectronics business as a separate company known as Agere Systems. ... addition, ... the first fiscal quarter of 2002 we completed the sale of our Optical Fiber Solutions business ... Furukawa Electric Co., Ltd.

Analyst Gurinder Kalra ... Bear Stearns expects Intel to raise the mid-point ... the range of its second-quarter revenue forecast when it provides investors ... a mid-quarter update ... June 3. Kalra expects the chipmaking giant to tighten the range ... its forecast ... \$7.9 billion ... \$8.1 billion ... its prior projection ... \$7.6 billion ... \$8.2 billion, effectively raising the mid-point ... \$8 billion ... \$7.9 billion. She added Intel's gross margin estimate ... 60 percent plus more minus a couple percentage points is "conservative" - Kalra expects 62.2 percent - but thinks there is a good chance the company will tighten its forecast ... 60 percent plus or minus 1 percentage point. She reiterated her "outperform" rating and \$38 price target ... Intel. The stock was trading ... 3 cents at \$28.40 ... pre-open trading.

1.5 CHOOSE THE RIGHT VARIANT TO SUBSTITUTE THE UNDERLINED WORDS AND WORD COMBINATIONS

1. **The bulk** of most people's income goes for day-to-day living expenses.

the majority

the largest part

the most important

the main

2. A relatively small sum invested **appropriately** each year can make an important contribution to your long-term financial security.

befittingly

beatifically

becomingly

believably

3. Investing often involves **deferring** or giving up current consumption.

standing

tabling

chairing

bedding

4. This is done to increase wealth and **build** future purchasing power.

increase

incense

incise

incite

5. Specific investment decisions should be based on a **consideration** of risk versus reward.

injection

intellection

injunction

intelligence

6. Investments can provide a way to **keep up with** or stay ahead of inflation.

keep step with

keep track of

keep the hand in

keep the eye on

7. The benefits of saving early in life are greatly magnified by **compounding**.

intensifying

integrating

intending

interacting

8. In this process, the growth of an investment's **value** is computed on the sum of the original investment.

asset

worth

return

income

9. If the investment is successful, however, the profits from it could **finance** future.

fund

fond

foist

fold

10. Investors' **tolerance for risk** varies.

endurance

attitude

equity

escrow

11. He was **authorized** to inquire from any source.

permitted

permuted

premed

perked

12. He returned all money to the **investors**.

stakeholders

shareholders

stockholders

bondholders

13. He was responsible for the undertaken **trades**.

transaction

transcription

transference

transfigures

14. The company can use assets **to secure** the loan.

to protect

to provide

to cover

to insure

15. You can be **provided** with tax or legal advice.

plied

pled

plopped

plundered

♣ 1.6 FIND AND CORRECT MISTAKES IN THE FOLLOWING SENTENCES

1. The idea beyond investing is that money is put to use in such a way that it is likely to turn into more money.
2. Destinations under invested money include savings accounts, stocks, bonds, mutual funds and numerous other investment options.
3. It is important to note that because money can be invested, the value of a given amount of money changes with time.
4. The longer that a given amount of money is in your control, the longer you have to invest it and make more money from it.

5. Under this reason, it is almost always preferable to have money sooner rather than later.
6. On the same time, there is a penalty associated with not investing the money that you already have.
7. Money that is not invested or that is accruing value by a slower rate than the rate of inflation is becoming worth less and less as time passes.
8. Another spectacular benefit associated to many investments is compounding.
9. Money that is earning interest grows at a constant rate, paying the same amount of interest in the end of each time period.
10. On this way, interest causes money to increase by value exponentially over time.
11. This scenario is constantly playing out with bank accounts, CDs, and any other investment that offers compound interest.
12. On this point, it is important to distinguish between investing and gambling.
13. Earning interest and taking advantage at compounding may not produce the immediate jackpot that comes along winning the lottery.
14. Pouring a great deal of money with one stock is very similar at gambling. It could pay off, but if it doesn't, the potential losses are great.