**Investing Money**

**Understand**

**1 Why is a savings account a good investment for anyone who can save only a small amount at a time?**

A savings account is a good option for someone who can save only small amounts at a time because other types of savings may require a larger capital to start the investment.

**2 Explain the effect that inflation has on the value of your money.**

Inflation means that the price of items rises. This lessens the value of money because you have to pay more for the items you buy.

**3 What are the three main reasons for investing?**

The three main reasons for investing are:

• to afford an expensive item such as a car or a house

• to gain extra income

• to live a comfortable lifestyle when you retire.

**4 Describe the relationship between saving and investment.**

Saving is the initial stage of investing. Saving money means that you are putting it aside for a rainy day. If you decide to invest the money, it means that you are using the savings to make a profit.

**5 Now that you have completed these pages, revisit the opening statements on page 62. For a second time, record your response to each statement and note any difference from your first attempt.**

**(a) Have you changed any responses? If so, why?**

**(b) What does this tell you about changing an individual’s attitude to saving and investing?**

Revisit the students’ original responses and see whether any students have changed their minds. Discuss why.