

Answer Key

Risk Activity 1 and Activity 2

Activity Sheet 1

Investment 1: Low. Utilities are considered lower risk stocks. The current dividend provides steady gain on the investment. The company has been growing steadily in the past couple of years and seems to be stable.

Investment 2: Without other information this would be a higher risk stock purchase. There is no way to tell what kind of side effects the drug would have because there is no information on whether the drug has been tested and there could be seriously harmful effects to the children who are given the drug. The company doesn't appear to have a strong, good reputation as a drug manufacturer because you have never heard of them. The reliability of the company and the product haven't been proven so an investment would be risky.

Investment 3: This is a moderately risky stock. The product would probably sell very well if successful but there is a lot of research and testing to be done so the company would be putting a lot of its profit back into research and development for awhile.

Investment 4: High. Fashion trends change quickly. They're not something that remain strong and steady such as people's needs for gas and electricity in their homes. The price of this stock appears volatile. If the company proves successful there could be profits in an investment as stock prices rise. But, there could be big losses if Britney Spears starts wearing clothes from a different company next year!!!!

Activity Sheet 2

1. His risk tolerance is H.
2. Her risk tolerance is L.
3. Bill's risk tolerance is L.
4. Tasha's risk tolerance is H.
5. Their risk tolerance is M.
6. His risk tolerance is M.
7. Blair's risk tolerance is M.
8. Sam's risk tolerance is L.
9. Her risk tolerance is H.
10. Henry's risk tolerance is L.