

Activity Sheet 3: Choosing Bonds

Use the chart below to recommend bonds to the investors:

Type of Bond	Terms	Risk	Interest	Tax Implications
Corporate	1 to 100 years	Low to high	Highest, linked to risk	Taxable
Municipal	1 to 50 years	Variable	Low, but linked to risk	Tax-exempt
Agency	1 to 20 years	Low to very safe	Medium	Some tax-exempt
Treasury notes	2, 5, & 10 years	Very safe	Low	Federally taxable only
Treasury bills	4, 13, & 26 weeks	Very safe	Low	Federally taxable only

1. Mr. Davis is an investor who needs a very safe investment since he will retire in two years. Which bond/ bonds should he consider? Why?
2. Ms Jones is a young investor. She is willing to take the most risk that bonds have to offer. Which bonds should she consider? Why?
3. Mr. and Mrs. Peters want a tax exempt investment. Which type of bonds should they consider? Why?
4. Mr. Fredrick wants a short term bond. Which bond should he consider? Why?
5. Which type of bond would be the best investment for you? Why?



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