

Handout

Characteristics and risks of various assets

Note: Before working with this handout, please read “The difference between saving and investing” and “Fundamentals of investing”.

1. Saving or investing?

Decide whether the people in the following situations are saving or investing. Choose the correct answers in the table below and explain.

Situation	Saving	Invest	Why
David Fuchs recently started his first job after graduating from university. He does not buy expensive clothes and new devices and does not take out any subscriptions. Instead, he is saving to travel the world in five years' time.			
A few months after starting on her first job, Lena Schmidt decides to build a financial reserve. She intends to use it as an emergency fund for unexpected expenses.			
Vanessa Möller regularly buys shares in order to make profits and have a large amount of money in ten to 15 years' time.			
Luca Winkler sets aside EUR 50 every month to buy high-quality camera equipment in a year's time.			
Max Weber has built an emergency fund and now wants to make long-term investments by investing a constant amount of money every month. He plans to maintain this strategy for at least ten years.			
Sarah Müller is a secondary-school student and works as a waitress at a wine tavern on weekends. After every workday, she puts EUR 15 into her savings account so that she can buy a new bike in two years' time.			

2. Investing tradeoffs

Analyze the following savings and investment products and rate their liquidity, potential return and risk. Use a scale from 1 (low liquidity, no potential for high returns, high risk) to 3 points (high liquidity, strong potential for high returns, low risk). Explain why.

Note: These are only sample solutions, Answers may differ in practice.

Savings or investment products	Liquidity	Returns	Risk
A savings account with a balance of EUR 30,000 at a local bank pays a fixed annual interest rate of 0.5%			
The European Market Diversification Fund ETF is a broadly diversified fund that aims to replicate the performance of various European stock markets			
TechnoSolutions International AG, a very successful company with an excellent profit outlook, issues a bond with a maturity of 10 years and an annual yield of 2.5%. It has a top credit rating.			
An Austrian bank pays an annual interest rate of 1.8% on a five-year term deposit.			
The stock of Ganz-Gesunde-Lebensmittel (GGL) AG is trading at a share price of EUR 72.30. GGL AG is an innovative food industry company that specializes in the production of healthy nutritional options. Founded in 2015, the company has quickly grown and is known for its wide range of high-quality and healthy food. Since the company's IPO, the share price has gone up steadily, with small ups and downs along the way.			

3. Do you remember? Check what you know about the various types of investments

Select the correct statement(s)

Which statements about savings accounts are correct?	
<input type="radio"/>	Savings accounts are very safe as balances of up to EUR 150,000 are covered by deposit guarantee schemes.
<input type="radio"/>	It makes sense to have an emergency fund that you can access at any time, even if that money earns little or no interest.
<input type="radio"/>	Green savings books can be certified using the UZ 49 label.
<input type="radio"/>	When you save money, you put your money in a bank, and the bank pays interest in return.
<input type="radio"/>	Savings accounts tend to offer a good return as they pay high interest rates.

Which statements about shares are correct?	
<input type="radio"/>	You need a custody account to buy or sell shares.
<input type="radio"/>	It is advisable to focus on buying shares in a single company.
<input type="radio"/>	To assess the sustainability of a stock, you should review the liquidity of the company issuing the stock.
<input type="radio"/>	Share prices are influenced by supply and demand. When there is increased demand for shares in a company, the share price usually rises.
<input type="radio"/>	It does not make sense to hold shares for the long term.

Which statements about bonds are correct?	
<input type="radio"/>	When a bond matures, you usually get back the money that you have invested.
<input type="radio"/>	A higher interest rate on a bond often means a lower risk of losing your capital.
<input type="radio"/>	Bonds issued by governments of stable countries such as Germany and Austria have a very low risk of loss of capital.
<input type="radio"/>	Bond prices tend to be more volatile than share prices.
<input type="radio"/>	The price of a bond can change during its life.

Which statements about investment funds and ETFs are correct?	
<input type="radio"/>	Investment funds try to replicate an index as closely as possible.
<input type="radio"/>	ETFs tend to have lower costs than investment funds.
<input type="radio"/>	A fund always invests in a number of different stocks.
<input type="radio"/>	Investment funds with higher proportions of shares offer greater potential returns, albeit at higher risk.
<input type="radio"/>	Funds help investors diversify their portfolio.

Questions for reflection:

What savings goal am I pursuing at the moment?

Have I already achieved this goal?

If not, what actions do I need to take to achieve my savings goal?

If yes, am I willing to invest part of my income to build long-term wealth?

Where do I get my information about the return, risk, availability and sustainability of various investment products? Do I trust this information?

Note: Before you buy a product, seek professional advice and only invest in products that you understand!