

Bonds vs Stocks Word Search

Answer Key

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■ 8 Terms & Definitions

<p>YIELD</p> <p>Yield is the income return on an investment, expressed as a percentage. For bonds, yield is the interest payment divided by the bond price. Bond yields move inversely to prices — when bond prices rise, yields fall, and vice versa. The 10-year Treasury yield is a key benchmark for</p>	<p>COUPON</p> <p>The coupon is the fixed annual interest rate paid by a bond, expressed as a percentage of its face value. The name comes from the physical coupons that bondholders used to clip and redeem for interest payments before electronic systems. Coupon rates are set at issuance and remain</p>
<p>MATURITY</p> <p>Maturity is the date when a bond's principal (face value) is repaid to the bondholder. Short-term bonds mature in 1-3 years; intermediate bonds in 3-10 years; long-term bonds in 10-30 years. Longer maturity bonds carry more interest rate risk because they're exposed to rate chang</p>	<p>DIVIDEND</p> <p>A dividend is a cash payment made by a company to its shareholders from profits. Dividends represent a direct return of value to investors without requiring them to sell shares. Companies that consistently grow dividends — called Dividend Aristocrats — are considered financially</p>
<p>EQUITY</p> <p>Equity represents ownership in a company through stocks. Equity investors participate in the company's growth and profits — but also bear the risk of losses. Unlike bonds (which have fixed payments), equity returns are variable and potentially unlimited. Over long periods, equiti</p>	<p>PRINCIPAL</p> <p>In bonds, principal (also called face value or par value) is the amount the issuer borrows and agrees to repay at maturity — typically \$1,000 per bond. In loans, principal is the original amount borrowed before interest. Protecting principal while earning returns is a key goal of</p>
<p>RISK</p> <p>Stocks and bonds carry different types of risk. Stocks face market risk (prices fluctuate) and business risk (companies can fail). Bonds face interest rate risk (rising rates lower bond prices), credit risk (issuer default), and inflation risk (fixed payments lose purchasing powe</p>	<p>RETURN</p> <p>The total return from stocks includes price appreciation (capital gains) plus dividends. Bond total return includes interest payments plus any price change. Historically, stocks have outperformed bonds over long periods, but with much higher volatility. The right balance depends</p>