Investing for Beginners Word Search

Answer Key

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10 Terms & Definitions

RISK Risk in investing refers to the possibility that an investment will lose value or underperform expectations. Different investments carry different types of risk: market risk (overall market declines), company risk (a specific company fails), inflation risk (returns don't keep up	**TOLERANCE** Risk tolerance is the degree of investment volatility and potential loss an investor is willing to accept in pursuit of higher returns. It is influenced by time horizon (how long before you need the money), financial situation (can you afford a loss?), and psychological comfort w
COMPOUND Compound growth is the process where investment returns generate additional returns — earning "interest on interest." It is the most powerful force in long-term wealth building. The key to compound growth is time: the earlier you invest, the more decades your money has to multipl	**PORTFOLIO** A portfolio is the complete collection of investments held by an individual or institution — including stocks, bonds, ETFs, mutual funds, real estate, cash, and other assets. Building a well-designed portfolio requires balancing return potential against risk through diversificati
DIVIDEND A dividend is a cash payment made by a company to its shareholders from profits, typically quarterly. Dividend investing can generate passive income while also benefiting from share price appreciation. Reinvesting dividends (DRIP programs) compounds returns dramatically over time	**BROKERAGE** A brokerage account is an investment account held at a financial institution that allows you to buy and sell stocks, bonds, ETFs, and mutual funds. Unlike retirement accounts (IRA, 401k), brokerage accounts have no contribution limits and funds can be withdrawn anytime without pe
DIVERSIFY Diversification is the practice of spreading investments across different asset types, sectors, and geographies to reduce risk without necessarily sacrificing returns. The core insight: different assets often move in opposite directions, so losses in one area are offset by gains	**DOLLAR** Dollar-cost averaging (DCA) is an investment strategy of investing a fixed dollar amount at regular intervals — such as $500/month — regardless of market conditions. When prices are high, you buy fewer shares; when prices are low, you buy more. Over time, this averages your cost
HORIZON Your investment time horizon is the length of time you plan to hold your investments before needing the money. It is one of the most critical factors in determining appropriate asset allocation. Long horizons (20+ years) allow for more aggressive portfolios with higher stock allo	**INDEX** An index fund is a type of investment fund designed to replicate the performance of a specific market index, like the S&P; 500. Rather than hiring analysts to pick stocks, index funds passively hold all the securities in the index. This results in extremely low costs (often 0.03–0