Name: _____   Per: _____

THE MATH OF BUYING STOCKS
SHOW YOUR WORK

1. Assume you have $55,000 to invest. How many shares can you buy of Intel if the current price is $24.50? (Note, ignore the commission for this problem). **CIRCLE YOUR ANSWER!**

2. Assume the price of Intel dropped to $12.25. How much money has your portfolio lost in value, based on the number of shares you bought in the previous problem? **CIRCLE YOUR ANSWER!**

3. You invest $100,000 in a blue chip stock……General Electric. The price upon purchase was $19.75. The stock then rises to $22.32 after one month due to an energy shortage in California. How much money have you made? **CIRCLE YOUR ANSWER!**

THE POWER OF COMPOUNDING

4. Dwight Schrute decides to invest $70,000 to begin saving for retirement from Dunder Mifflin. He can't decide if he should invest in a bank account which pays him 3% interest or a growth stock that has been averaging 10% return. All investments are compounded quarterly. As his stockbroker, calculate the difference in income he would have at the following increments: 1 year, 5 years and 20 years.

$$A= P(1+ R/N)^{N(T)}$$

YEAR	Bank @ 3%	Growth Stock @ 10%
1 year		
5 years		
20 years		