Teacher Answer Key

Case Study

1. Alex's money had more years to compound. Alex put in $14,400 and stopped at 30, and it still reached over $126,000 by age 60. Taylor put in $36,000, more than twice as much, and ended with about $100,000. The extra twelve years of growth mattered more than the extra contributions.

2. More than $126,000. Alex reached that figure while contributing only from 18 to 30. Taylor kept contributing for thirty years, so starting at 18 and continuing would have added those contributions on top of the same long compounding period.

Multiple Choice

1. D

2. B

3. C

Matching

1-C, 2-A, 3-B, 4-E, 5-D

Fill-in-the-Blank

1) Diversification, 2) Compound interest, 3) Index

Short Answer (Sample Responses)

Q1: It ensures your investments align with your goals and comfort with losses.

Q2: Index funds offer low fees, diversification, and strong long-term returns.

Q3: Compound interest grows both principal and previous interest, allowing exponential growth.