SecureFutures

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What's the difference between stocks and bonds?

1 message

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Money Coach Alumni Newsletter

Hello Kiana,

We hope you are staying cool and enjoying your summer. Here are some more financial tips for you!

Featured Topic: Stocks vs Bonds

A stock represents ownership of a fraction of a corporation, company or organization. Stocks typically are used for long-term financial goals. If you choose to invest in stocks, be ready to hold the stock for at least 5-10 years. Investors can earn money through selling their stock at a profit (capital gain) or when the company/organization shares some of their profits with all stakeholders (dividend). Although a stock's earning capacity is unlimited, there are risks that can affect its prices. Common risks that impact stocks include;

- **company risk** - the risk that you will lose money simply because the company you choose to invest in performs poorly.
- **economic risk** - the risk that an overall downturn in the economy will result in lower sales and profits (and consequently a lower stock price) for the corporations you invested in.
- **systemic risk** - the risk that a breakdown of the American or global financial system will cause panic selling and major losses for investors, no matter what type of investments they hold.
- **market risk** - the risk that you'll have to sell stocks when the markets are down.

Bonds differ from stocks in that they represent a loan made by an investor to a borrower, typically corporate or governmental. Just like with loans, bond investors earn interest that's paid annually until the bond's maturity date. Bonds are generally more stable and predictable than stocks, but the earning potential is usually less. It's important to note most corporate and municipal bonds don't guarantee repayment of your principal. Make sure to evaluate the corporation or municipality's ability to pay back its debt on time and in full. Similar to stocks, bonds come with risks.

- **credit risk** - the likelihood that a borrower will default on paying interest of principal.
- **interest rate risk** - the likelihood that the investment asset will decline in value if the cost of borrowing increases.

To learn more about stocks and bonds, check out the MoneySense OnDemand lessons below.

- Stocks
- Bonds

Owning a mix of stocks and bonds is referred to as diversifying your portfolio. Regardless of the type of investments you choose, remember to monitor them!

Resource Highlight: Pros & Cons of Stocks & Bonds

For more information about stocks and bonds, check out the articles below.

- Pros and cons of stocks and bonds
- Pros and cons of investing in stocks
- 10 best reasons to invest in 2023

Ask the Expert

Do you have financial or career questions? Ask the experts! We have a network of people knowledgeable in various areas able and ready to assist you! Fill out the survey to let us know what topics/areas you would like to learn more about.

Upcoming Events

If you haven't yet, fill out the Money Coach Longitudinal Study to receive your choice of a $10 gift card from Amazon, Starbucks, or Target! **Those who complete the survey by July 31st will also be entered in a giveaway for the chance to receive 4 FREE Brewers tickets to the game on August 27th!**

The next alumni panel discussion will take place in mid-September. This panel will be a deeper dive into different forms of insurance. Keep an eye out for additional information.

Take care,
Money Coach Team

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