

## 9.2 Investment Alternatives

### A Saving Accounts

Example 1. If you deposit \$4000 into an account paying 1.5% annual interest compounded quarterly, how much money will be in the account after 5 years?

### B GIC

A GIC (Guaranteed Investment Certificate) is a safe and secure investment with very little risk. You don't have to worry about losing your money because it is guaranteed.

Example 2. If you have \$10,000 to invest into a GIC account paying 1.8% annual interest compounded monthly, how much money will be in the account after 18 months?

## **C RESP**

A Registered Education Savings Plan (RESP) is a special savings account for parents who want to save for their child's education after high school.

Example 3. At her birth, Jane's parents decided to open a RESP paying 2% compounded weekly. In order to cover her tuition of \$50,000 when Jane will be 18 years old, how much money Jane's parents should invest now?

## **D Mutual Fund**

A mutual fund is a type of financial vehicle made up of a pool of money collected from many investors to invest in securities like stocks, bonds, money market instruments, and other assets. It comes with a risk and a management fee.

Example 4. A mutual fund offers 8% maximum and 6% minimum interest per year for an investment of \$10,000 over 10 years. The interest is compounded annually, and the management expense interest rate is 2% per year. Find the maximum and the minimum of the future value of this investment.