

Name _____

Unlocking the Secrets of Certificates of Deposit (CDs)

Short Answer Key

1. A fixed term in relation to Certificates of Deposit (CDs) means that you agree to leave your money invested for a specific period, and you cannot withdraw it before that period ends without facing penalties.
2. The potential risk is that if market interest rates rise after you've locked your money into a CD, you'll miss out on potentially higher earnings that you could have earned with a different investment.
3. It's important to have an emergency fund in a liquid account before considering a CD because it ensures you have quick access to funds for unexpected expenses. CDs have limited access, and withdrawing funds prematurely may result in penalties.
4. Pro: CDs offer higher interest rates. Con: CDs may miss out on higher market interest rates.
5. A CD can help you budget and plan for your financial goals because it provides a fixed term and a predictable return, making it easier to set aside money for specific purposes.

