

Name \_\_\_\_\_

## Unlocking the Secrets of Certificates of Deposit (CDs)

### Open-Ended Response Answer Key

1. Answers may vary. Sample response: I would consider putting it in a CD because I don't need the money for three years, and I want to earn a higher interest rate than a regular savings account offers. CDs provide safety and a fixed term, which aligns with my goal.
2. Risk tolerance is essential because it determines how comfortable you are with the possibility of losing money in exchange for potential higher returns. CDs are low-risk, while investments like stocks involve higher risk but the potential for higher rewards.
3. Inflation risk refers to the risk that the interest earned on a CD may not keep pace with inflation, causing the purchasing power of your money to decrease over time. This is a consideration when investing in Certificates of Deposit because it may impact your real returns.
4. I would consider putting it in a CD if the interest rate offered is competitive. Factors influencing my decision would include the current interest rate environment, my need for access to funds, and my risk tolerance.

