

Name \_\_\_\_\_

## Long-Term vs. Short-Term Investing: Making Your Money Grow

### Short Answer Key

1. Compound interest is the process of earning interest on both your initial investment and the interest you've previously earned. In long-term investing, this allows your money to grow exponentially over time.
2. Long-term investing involves holding onto investments for years or even decades, while short-term investing aims to profit from short-lived price movements over a much shorter timeframe.
3. Risk tolerance is your ability and willingness to withstand market volatility. Those with a low risk tolerance may prefer long-term investing for its stability, while those with a higher risk tolerance might opt for short-term investing despite its higher volatility.
4. Short-term investors need to monitor their investments closely and be ready to buy or sell quickly in response to market changes, news, or trends.
5. A common example of a financial goal suitable for long-term investing is saving for retirement, as it typically involves a long time horizon.

