

Name \_\_\_\_\_

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

### Open-Ended Response Answer Key

1. Short-term investing can offer the potential for quick profits but comes with higher risks, including market volatility and the need for active trading. It's important to explain that short-term investing requires continuous monitoring and the ability to react swiftly to market changes. However, it can also lead to losses if the market moves against the investor. Long-term investing, on the other hand, offers more stability and the potential for steady, long-term growth, making it better suited for long-term financial goals like retirement savings.
2. In long-term investing, trading activity is relatively low, with investors holding onto their stocks for years. This results in fewer transactions and lower trading fees. In short-term investing, frequent buying and selling lead to higher trading fees due to the increased number of transactions. Short-term investors often pay closer attention to market movements and react swiftly to capitalize on short-term price fluctuations.
3. A person might initially choose short-term investing when they have a higher risk tolerance and want to try their hand at profiting from short-term market movements. However, if they experience significant losses, stress, or realize that the constant monitoring and trading are taking a toll on their time and well-being, they may switch to a long-term approach for the sake of stability and long-term financial goals.
4. One example of financial success through long-term investing is Warren Buffett, who consistently applied the principles of value investing over several decades. He focused on buying undervalued stocks of solid companies and holding onto them for the long term. Over time, his investments grew significantly, making him one of the world's wealthiest individuals. His journey emphasizes the importance of patience, research, and a long-term perspective in achieving financial success through investing.

