

Transaction Costs -

costs of buying and selling
assets

costs of supplying and
receiving savings for
investment

RISK : you could lose part
or all of an investment.

investors usually diversify financial
assets so as to not be
concentrated in one area of
risk.

Liquidity: markets for assets
make the assets more liquid
(easily convertible into cash)
"thin" market - few participants.

MBS: mortgage-backed securities
(loan)
* very much involved in financial
meltdown '07-'08

Stocks: ownership
quarterly cash dividend

Bonds: interest
at maturity, principal back

Bankruptcy: stockholders are last in line
for money.

Mutual Funds:

sell shares in a diversified
asset portfolio

Pension Funds:

get money from union dues,
retirement 401-Ks

CALPERS - California Public
Employees

Topic: Money

historically: barter

then banking.

commodity-backed money.

most influential:

gold-backed money.

now: fiat money.

valuable because gov't says it is.

3 roles of money medium of exchange

store of value

unit of account