Pros And Cons of Different Types Of Investments

When deciding where to invest your money, you need to always take into account your investment goals and objectives. Different types of investments carry varying degrees of risks and potential return. CD A bank CD is a very safe investment. The CD is FDIC insured up to $100,000, so there truly is minimal risk. The only downside is that you cannot withdraw that money in the CD for a specific amount of time or else you'll receive a penalty. Bank CDs generally only pay up to 5% interest.BondsA bond is essentially a loan you make to a company or a government. Bonds have varying degrees of risk, from essentially risk-free treasuries to junk bonds. The higher the risk of the bond, the higher the return will generally be. StocksStocks are investments in companies. Depending on the company, the risk of the investment can be high or low. Obviously, buying stock in Johnson and Johnson is a lot less risky than a new internet startup company. In general, the stock market returns on average about 10% a year, though the actual return of any given stock will vary significantly. Mutual FundsA mutual fund typically invests in over 100 stocks, so it's an instant way to diversify your portfolio. However, the mutual fund generally charges a fee, which is about 1% of your assets per year. Because of this fee, most mutual funds do not outperform the market; a monkey blindly picking 100 stocks but not charging you a fee could easily outperform most mutual funds.Real Estate Real estate is a popular investment. The most obvious real estate investment you'll make is when you purchase your home. Your home can go up or down in value when you sell it; it depends on the housing market in your area.

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