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| MySchool_Dossier_Logo | | |  | Solutions to the worksheet | |
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| Economy and society | | | |
| Saving (8) | | | |

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|  |  | **1. Name a few examples for a special purpose that people may save for.**  Holidays, driving exam, education, larger purchases, mobile phone, MP3 player, bicycle  **2. What do we call the counterpart of special-purpose saving? What is it for?**  Forced saving. It is done for unexpected events and for retirement. Here a saver has virtually no chance to do without saving. It may even be required by law, as with Switzerland's compulsory contributions to the state pension plan.  **3. How would you define the term «saving»?**  Saving means setting aside available means to keep them in reserve for a later date; doing without certain consumer goods today in order to have more money in reserve tomorrow, possibly for something bigger.  **4. What type of assets comes under paper securities?**  Savings account, shares, bonds, share certificates for investment funds  **5. What type of assets comes under material assets?**  Art, jewellery, stamps, vintage cars; but also real estate and precious metals like gold, silver, etc.  **6. List the three priorities defining the magic triangle. In your own words explain each of them.**  – Profitability, or profit: savings are supposed to yield a profit, that is, increase capital.  – Liquidity or solvency: the more solvent one form of saving is, the sooner savers are able to dispose of their money.  – Security: how great a risk is there for capital invested to lose part or all of its value?  **7. What additional criteria might be important when investing capital?**  Individual answer. Possible points: ethics such as when deciding against investing capital into arms or drugs; sustainability; ecology; preference of particular sectors or countries; personal willingness to assume risk  **8. Compare and contrast saving and hoarding.**  Hoarding means stacking away cash at home. This carries the risk of theft. Also, hoarding doesn't yield any interest. In economic terms, hoarding is bad because money is withheld from the economic circuit.  In contrast, saving, for example, by way of a savings account, makes money available to a bank, usually in the form of deposit money. There is a much lower risk of theft, and the capital yields interest. The money is not withdrawn from the economic circuit so the bank is able to offer credit to other economic players in need of money.  **9. Explain the adage «A stitch in time saves nine». Does it apply to you? Why (not)?**  Individual answer. The adage had its origin in an age when social insurance was practically non-existent. Whoever had neglected to save up whatever possible in good times would face existential threat when facing accident, illness, disability, unemployment or old age. Conversely, the great inflation of the 1920s Germany saw the savings of many small people virtually destroyed. Today, the opposite is the rule: in order not to have to defer a purchase, more and more people are running up debts. This is resulting in a massive surge of credit card overdrafts, micro credits or car leasing. One of the triggers of the financial and economic meltdown in 2008 was the gigantic level debt on the US real estate market.  **10. Why are shares not necessarily paper securities?**  A share represents part of a company's net assets. The nature of a capital investment in the form of a share is determined by the nature of a company's main assets. Thus, the assets of an industrial or real estate company, for example, are mainly material. |
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