

Investments

Checking account

A checking account is not a traditional investment option. You need a checking account to participate in cashless payments. You can transfer or debit your bills from your checking account.

You can pay cashless in stores with your debit card or get cash from an ATM.

If you are 18 years old, you can open your own checking account. Before that, it is only possible with the consent of your parents.

For the checking account you pay account maintenance fees, although there might be exceptions (Pupils, trainees and students usually do not).

When you save money in your checking account, you usually don't get interest.

You can withdraw your money from the checking account at any time.

Checking account statement

28.02.	Account balance	0,00
01.03.	Training allowance	420,00
10.03.	ATM	-300,00
15.03.	Insurance	-70,00
25.03.	Music/Movies	-50,00
26.03.	Account balance	0,00

Example from practice:

Henry is 16 years old. He has signed an apprenticeship contract as an electronics technician with the company "Blitz Light". He earns 420 euros a month.

With the consent of his parents, he opened a checking account. On the 25th of the month he has already withdrawn all his money.

Since he urgently needs gasoline for his scooter, he wants to withdraw another 20 euros at a bank ATM.

But the machine only shows "no credit available" and the money flap remains closed. Now he remembers that he is not allowed to overdraw his account. Since he will probably not be able to fill up his tank and will have to wait until his apprenticeship salary is back in his account.

Task: For this type of investment, consider what the return/cost, risk and liquidity might be

Return/Costs	Liquidity	Risk
xxx	xxx	xxx

Investments

Savings Account

If you want to save smaller amounts, you open a savings book (savings account).

For the saved money (capital) you get interest.

The savings book is a very safe way of investing money.

The disadvantage of the savings book is that it brings you but very little interest.

You can only withdraw up to 2,000 euros per calendar month.

If you need more money, you have to cancel the savings account or the amount you need. The notice period is at least 3 months

Savings book

Worksheet 1b

Date		Turnover +/-
01.03.	Credit	250,00
01.03.	Withdrawal	-50,00
15.03.	Withdrawal	-80,00
25.03.	Withdrawal	-100,00
26.03.	Credit	20,00

Example from practice:

On the advice of his parents, Noah has set up a standing order from his checking account to his savings account. Because he is always very generous with the

Spending money and often does not have the right overview of his finances. Now he has been saving 30 euros every month for a year and can be sure that there is always something in his savings account for emergencies. He gets 0.5% interest per year. This month he withdrew money from his savings account to fulfill a wish. This gives him

however, less interest at the end of the year.

Task: For this type of investment, consider what the return/cost, risk and liquidity might be

Return/Costs

Liquidity

Risk

xxx

xxx

xxx

Investments

Shares and stocks

Many well-known brands are backed by stock corporations (e.g. Apple, adidas, BMW...)

When you buy a share, you become a co-owner (shareholder) in that company.

Shares are one of the riskier forms of investment, because their value/price can rise sharply, but also sharply fall. This depends on the supply and demand of a share.

You don't get interest on stocks.

You can buy or sell shares at any time at the current price.

If the company generates a profit, then the you usually receive a share once a year, which is called a dividend. However, the company does not have to pay dividends even if it makes profits.

To be able to buy shares, you need a securities account. Some banks charge custody account management fees for this. In addition, you usually have to pay fees (transaction costs) when buying and selling.

Commerce and stock corporation

Share

Nominal value EUR 100

Example from practice:



Carl bought 10 shares of the company "Sports-Mate" 10 years ago. The price for one share was 70 euros. Today, the share is worth 100 euros. "Sports-Mate" has been very successful in recent years and has regularly generated a profit. Carl will also have a participation in this. Every year he has a dividend of 1.50 euros per share.

Now, Carl needs money. He sells his shares and makes the following calculation: "I paid 700 euros. With dividends, I now have 1,150 euros. Great!

Even if I still have to pay the fees for managing the securities account and the costs for buying and selling was worth it for me."

The competitor of "Sports-Mate" was not as successful. The share price of the company "Sporty" fell from 30 euros to 15 euros in the last 10 years.

Task: For this type of investment, consider what the return/cost, risk, and liquidity might be

Return/Costs

Liquidity

Risk

xxx

xxx

xxx

Investments

Real Estate

The purchase of real estate requires that you have already saved a large sum of money (equity), so that the bank will lend you the money you still lack. It is good to have at least 25% of the Purchase price to have saved so that the monthly burden is not too high.

Real estate ownership is usually a very safe investment.

In addition to the purchase price, you always pay one-time additional costs (land transfer tax, notary and land registry fees, possibly broker commission). In your financial planning, you also need to think about how-recurring costs (operating costs such as heating costs, costs for water supply and heating, fees for wastewater and garbage collection) and think about reserves for repairs.

Owning real estate doesn't earn you interest or dividend. If you live in it yourself, you save on rent. If you rent them out, then you have a regular monthly source of income.

The value of your home or apartment can go down as well as up over time.

If you want to get your invested money back quickly, this is not the way to go possible. You can only sell your property or borrow from the bank for part of the value.



Example from practice:

Adriana has long dreamed of having her own four walls. She had already taken out a contract for building savings when she began her training. She has had a permanent job for a number of years, earns a good income and also saves money every month. In doing so, she always relies on very safe forms of investment so as not to lose any money. Since she now already has 18,000 euros on the high side, she starts looking. Shortly after, she finds her dream apartment, which is supposed to cost 80,000 euros. After the conversation with her bank advisor and due to the resulting flood of information, she starts to do the math again. With so much extra cost she had not expected. Along through the Real estate transfer tax of 3.5% of the purchase price, the no-tar and land registry costs as well as the broker's commission the apartment becomes much more expensive than originally thought. After much deliberation, Adriana decides to look for a cheaper apartment and save a little more to make her dream come true.

Task: For this type of investment, consider what the return/cost, risk and liquidity might be

Return/Costs	Liquidity	Risk
xxx	xxx	xxx

Investments

Precious metals – Gold, Silver, Platinum

You can invest your money in precious metals and of course "real" buy, thereby you get it e.g. in the form of (Gold) bars. Precious metals should be stored safely, e.g. in a safe deposit box at the bank. For this costs are usually incurred.

It is easier to buy special certificates for precious metals. They reflect the value of the precious metal 1:1.

Precious metals are a riskier form of investment. They do not earn interest or dividends.

The prices of precious metals are calculated daily on the commodity exchanges in U.S. dollars and fluctuate. If you buy the gold in euros, you contribute to the exchange rate always also a currency risk, i.e. the risk that arises when investing in foreign currencies.

If you need money fast, you can sell your precious metals every day at the current price and thus quickly you can get your money back, but this can also mean a loss.



Example from practice:

The twins Parvati and Indra receive from their proud parents for graduation not money, but gold given. After the last financial crisis, parents distrust conventional financial investments. Each of their Children get gold for 1,000 euros, Parvati in the form of a beautiful necklace and Indra a small gold bar. After 6 years, the twins want to open their own small store. As they are more Need start-up capital, they want to sell their gold. The price of gold has always risen sharply in recent years. Indra sells his gold bar at the Bank and, after fees, still has an or-achieved an extraordinary increase in value of 25%. Parvati is very disappointed. The ideal value of the chain over-increases the actual value by far, it be- comes only 800 euros at sale.

Task: For this type of investment, consider what the return/cost, risk and liquidity might be

Return/Costs	Liquidity	Risk
xxx	xxx	xxx

Overview of other forms of investment

Form of investment	Yield	Costs
a. Current account	<ul style="list-style-type: none"> • None • Usually no interest 	<ul style="list-style-type: none"> • Account management fees • In some cases, the fees are waived, E.g., for trainees or from a certain monthly cash inflow onwards
b. Passbook	<ul style="list-style-type: none"> • None • Interest rate is adjusted to the general interest rate level 	<ul style="list-style-type: none"> • Free of charge • Advance interest in the event of higher unannounced withdrawals
c. Call money account	<ul style="list-style-type: none"> • Somewhat higher than the savings book • Interest rate is adjusted to the general interest rate level 	<ul style="list-style-type: none"> • Free of charge (sometimes only in connection with current account)
d. Term/fixed-term deposit account	<ul style="list-style-type: none"> • As a rule, somewhat higher than for a savings account or call money account • Interest rate depends on the amount invested • Interest rate known at conclusion of contract 	<ul style="list-style-type: none"> • Free of charge (sometimes only in connection with current account)
e. Savings bond	<ul style="list-style-type: none"> • As a rule, somewhat higher than for a savings account or call money, time deposit/fixed-term deposit account • Interest rate depends on the term and the amount invested • Interest rate known at conclusion of contract 	<ul style="list-style-type: none"> • Free of charge
f. Bonds	<ul style="list-style-type: none"> • Medium • Depending on the term and credit rating of the issuer • Price gains + interest (coupon) 	<ul style="list-style-type: none"> • Custody account management • Transaction costs
g. Shares	<ul style="list-style-type: none"> • Above-average return prospects • Price gains + dividend 	<ul style="list-style-type: none"> • Custody account management • Transaction costs
h. Investment funds	<ul style="list-style-type: none"> • Depending on the composition of the fund 	<ul style="list-style-type: none"> • Custody account management • Issue surcharges • Management/administrative fees • Transaction costs
i. Life insurance	<ul style="list-style-type: none"> • Usually low 	<ul style="list-style-type: none"> • One-time acquisition fee • Current costs for administration • Costs for residual debt insurance
j. Building savings	<ul style="list-style-type: none"> • Low 	<ul style="list-style-type: none"> • One-time acquisition fee • Annual account maintenance fee in the savings phase
k. Real Estate	<ul style="list-style-type: none"> • Fluctuating, the value can rise as well as fall 	<ul style="list-style-type: none"> • Unique: Purchase price, land transfer tax, notary and land registry fees, possible broker commission • Recurring: Operating costs, such as real estate transfer tax, water, heating, garbage collection, insurance • Maintenance and repair costs • For borrowing: Processing fees and interest
l. Precious metals	<ul style="list-style-type: none"> • Fluctuating (depending on economic situation) • Exchange rate gain + currency gain 	<ul style="list-style-type: none"> • Custody costs for gold bars • Premiums or discounts on physical assets • Custody account management fees for certificates

Info sheet

Liquidity	Risk
<ul style="list-style-type: none"> • Very high • Account holder can dispose of all the money at any time 	<ul style="list-style-type: none"> • Very low
<ul style="list-style-type: none"> • Up to 2,000 euros per month very high • Early termination possible for higher amounts 	<ul style="list-style-type: none"> • Very low • Interest rate may change without notice
<ul style="list-style-type: none"> • Very high • Savers can dispose of the invested money at any time 	<ul style="list-style-type: none"> • Very low • Interest rate may change without notice
<ul style="list-style-type: none"> • Low • Savers usually cannot dispose of the invested money during the term of the investment 	<ul style="list-style-type: none"> • Very low
<ul style="list-style-type: none"> • Low • Savers cannot dispose of the invested money during the term of the investment • Termination usually not possible; mortgaging possible 	<ul style="list-style-type: none"> • Very low • No price and value fluctuations
<ul style="list-style-type: none"> • Very high • Bond can be sold daily 	<ul style="list-style-type: none"> • Medium • Depending on the credit rating of the issuer
<ul style="list-style-type: none"> • Very high • Share can be sold daily 	<ul style="list-style-type: none"> • Very high • Share price losses + possibly no dividend payout
<ul style="list-style-type: none"> • Very high • Share certificate can be sold daily 	<ul style="list-style-type: none"> • High • Price losses + possibly no distribution
<ul style="list-style-type: none"> • Savers can usually not dispose of the invested money • Cancellation and resale possible (often with loss) 	<ul style="list-style-type: none"> • Very low
<ul style="list-style-type: none"> • Savers can usually not dispose of the invested money 	<ul style="list-style-type: none"> • Very low
<ul style="list-style-type: none"> • Very low 	<ul style="list-style-type: none"> • Very low
<ul style="list-style-type: none"> • High • Precious metals can be sold daily 	<ul style="list-style-type: none"> • Exchange rate losses + currency losses