**Chapter Notes – Selecting a Savings Plan**

Read the second section, Selecting a Savings Plan (pages 438 – 440), in your textbook, and answer the following questions:

1. What happens to the purchasing power of money without a savings plan?
2. Explain why a bank pays interest on a deposit.
3. What is a rate of return?
4. Explain the difference between simple interest and compound interest.
5. How much of your money is insured when deposited in a bank? What is the name of the agency that governs this protection?
6. Why is it important for investors to keep some liquid investments? Provide some examples of liquid and non-liquid investments.