

## Comparing Investment Portfolios

Jonathan and Paula are each hoping to buy a house in ten years. They have each chosen an investment portfolio, hoping to save for a large down payment in ten years. Whose portfolio will show the better return?



Paula's Portfolio	Jonathan's Portfolio
<ul style="list-style-type: none"> <li>• \$5600 in a tax-free savings account (TFSA) earning 2.2%, compounded monthly</li> <li>• Annual end-of-year <b>\$500</b> purchases of a 10-year Canada Savings Bond (CSB) earning 3.6%, compounded annually</li> <li>• Monthly deposits of \$200 to a <b>savings account</b> earning 1.6%, compounded monthly</li> </ul>	<ul style="list-style-type: none"> <li>• 10-year \$2000 guaranteed investment certificate (GIC) earning 4.2%, compounded semi-annually</li> <li>• Weekly deposits of \$55 to a <b>savings account</b> earning 1.8%, compounded weekly</li> <li>• <b>\$4000</b> Five-year <b>bond</b> earning 3.9%, compounded quarterly and then reinvested in a 4.1% <b>bond</b></li> </ul>

Using the information provided, answer the following questions for each portfolio. *After making an honest effort, click each question to check your work.*

**1. How much principal do Paula and Jonathan each invest over the ten years? Include both single payment investments and the total of regular payments.**

**2. What is the future value of each person's portfolio, in ten years? Don't forget that Jonathan reinvests his bond after five years.**

**3. What rate of return does each person's portfolio have after ten years? Rate of return is the ratio of the amount an investment has increased in value at a given point to the amount invested.**