

Grade 9 EMS Worksheet

Good investments for an average household

Do research and write a paragraph on each of the following (five paragraphs in total):

- a) Investing in property (buying a home) [4 marks]
- b) Investing in retirement annuities [4 marks]
- c) Investing in unit trusts [4 marks]
- d) Investing in education [4 marks]
- e) Explain how the investments in a) to d) can contribute to economic prosperity and growth. [8 marks]

[Total: 24 marks]

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Suggested Solutions

Question number	Possible marks	Solution
1	24	<p>Possible facts to include in the paragraphs:</p> <p>a) Investing in property is a good investment for the average family to make. It provides a home to the family✓, while contributing to their wealth creation✓. House prices increase✓, so when you buy a house today you should be able to sell it in a few years' time at a profit✓. You can also buy property to rent out so that it provides you with a monthly income✓. This is a good income-earning idea for someone who is retired.✓ (any four facts) [4 marks]</p> <p>b) Investing in retirement annuities is a good way for a household to make provision for their retirement✓. An annuity is a long-term investment, not a way of saving in the short term✓. A pension fund differs from an annuity fund. When contributing to a pension fund you can claim the money you paid into the fund when you stop working for the employer, even if you are not going on pension✓. When you contribute to an annuity fund, the soonest you can claim your money is when you reach 55 years of age✓. The money invested in an annuity is pooled with money from other investors and that money is used to invest in share portfolios, which can earn profits✓. These earnings make the annuity grow so that by the time it matures (is paid out), you get much more than you initially invested✓. Money contributed to a retirement annuity is tax deductible✓, so you can also save on the taxes the household has to pay. (any four facts) [4 marks]</p> <p>c) When a household wants to make an investment with a low to medium risk✓, they can invest in unit trusts. In unit trusts, you invest money at a company that manages the trust✓. Your money is put in the trust together with the money invested by many other people✓ and managed by a unit manager who invests the money in shares on the stock exchange✓. The people who invest in unit trusts will be paid their part of the profit on the lump sum investment according to the units in which they have invested✓. A household can invest as little as R20 to R50 per month✓, and you can have access to the money within three to five days✓. (any four facts) [4 marks]</p> <p>d) Investing in education is investing in human capital✓. When employers invest in someone's education, they will be able to make use of their skills and abilities in the future✓. Their skills can also be transferred to others✓. Investing in education increases people's opportunities of making a good living✓, which contributes to an improvement in living</p>

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	<p>standards✓. Skilled people can earn more money and get better jobs✓. (any four facts)</p> <p style="text-align: right;">[4 marks]</p> <p>e) By making sound investments✓, a household can contribute to creating economic prosperity and wealth for themselves and their community. Investment in a property such as a home improves their chances of increasing their wealth✓ and making more money in future when they sell the property✓. They also contribute to the economy by satisfying a demand when they sell the house✓. Investing in annuities allows people to be financially independent when they retire✓. This frees up more money in the economy, because the retired people will then not be relying on Government grants✓. They will still be able to contribute to the economy✓. Investing in unit trusts enables people to accumulate money that they can use for medium-term goals✓. This could prevent them from having to go into debt and getting in trouble if they cannot pay their debts✓. This helps keep inflation in check✓. Investing in education ensures that in future there will be a skilled workforce who can contribute productively to the economy✓. They will be able to ensure their own prosperity because they could become high-income earners✓. (any eight facts)</p> <p style="text-align: right;">[8 marks]</p>
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