

## Handout A: Is It Saving or Investing or Both? Answer Key

Scenario	Saving	Investing	Both
Mr. Smith has \$200 left over after he pays all of his bills for the month.	✓		
Mr. Jones purchases a new drill press to make pens.		✓	
Ms. Jackson puts her money into the GE stock; GE wants to build a new factory in France.			✓
Mr. Saver buys a used computer.		✓ Computer will be used to produce other things.	
Ford Motor Company has \$1,000,000 in profits	✓		
Ford Motor Company retools a factory for the new F-150 model.		✓	
Ms. Caregiver buys \$10,000 worth of bonds that will be used for the building of a new hospital.			✓
Mr. Thrifty buys a new desk with his savings.		✓	
Ms. Brown puts \$800 per month into her 401(k) retirement plan.	✓ Could be "both" if the companies in the retirement plan purchase investments.		
Ms. Windsor buys an apartment complex with her savings and plans to rent out individual units.			✓
Mr. Smithton keeps \$600 in his house.	✓		
Ms. Goldman keeps \$9,000 in her bank account.			✓ The bank will use some of that money to loan to others (making investments).
Mr. Johnson sells his Apple stock and puts the money into his bank account.	✓		

## Handout B: Loanable Funds Market Answer Key

Action	Supply - Savings	Demand - Investing	Explanation
The government does not tax the first \$17,500 saved for retirement.	Increase savings		Lower taxes on savings should encourage people to save more. This will lower interest rates and increase quantity invested.
The government allows businesses to write off investments as a business expense and therefore does not tax investments.		Investments Increase	Lower or no taxes on investments will make businesses want to invest more. This will increase interest rates and increase quantity of investments.
The government allows real estate companies to pass their profits onto investors so as not to "double-tax" corporate profits (lower taxes on investments).	Increase savings		Corporate profits are a type of savings and lower taxes will increase savings. Interest rates will decrease and quantity of investments (in real estate) will increase.
The government will give up to \$1,000 to poorer citizens when they contribute to their retirement plans.	Increase savings		Poorer citizens will be encouraged to save as they will receive \$1,000 from the government. This will increase savings and therefore increase quantity invested.
The government doubles taxes on corporate profits and individual income from their personal investments.	Decreases savings		Corporate profits are savings and higher taxes will encourage people to save less, thus increasing interest rates and lower investments.
The government gives a tax credit to people who buy hybrid cars.		Increase investments	People will be encourage to invest (buy) in hybrid cars. This will increase interest rates and investments.
The government increases taxes on corporate profits.	Decrease savings		Corporations will want to save less as they will be taxed more. This will increase interest rates and decrease quantity invested.

## Handout B Answer Key: Page 2

Action	Supply - Savings	Demand - Investing	Explanation
The government increases taxes on savings.	Decrease savings		People will want to save less as they will be taxed more. This will increase interest rates and decrease quantity.
The government gives a tax credit to businesses who invest in solar and wind energy.		Increase investments	Corporations will increase their investments in solar and wind in order to receive the benefits of the tax credit. Interest rates will rise and quantity invested (in solar and wind) will rise.