

Name _____

Riding out the Investment Roller Coaster

Sheet #3

Milestones of the Dow Jones Industrial Average

How long term investing really grows your wealth.

Here are some milestones of the Dow Jones Industrial Average:

- January 1906: 100
- March 1956: 500
- November 1972: 1000
- January 1987: 2000
- April 1991: 3000
- March 1999: 10,000
- February 2009: 6500
- May 2013: 15,000
- May 2015: 18,100

1. The Carnegie family made an investment of \$400,000 in the Dow Jones in January 1906. What would that be worth in May 2015?
2. Dr. Phil invests \$3900 in the Dow Jones in January 1987. Find out how much it would be worth in May 2013.
3. Jake invests \$2,000 into the Dow Jones in March 1956. Find out how much it would be worth May 2015.
4. Renaissance Technology started a hedge fund. Their fund invests \$5,000,000 into the Dow Jones in April 1991. The fund cashes out its investments in March 1999. The fund lets its investments stay cash until February 2009, when it re-invests all of the money back into the Dow Jones.
 - a. How much was Renaissance's investment worth in March 1999?
 - b. How much is the final investment worth May 2015?
 - c. What would be the difference if Renaissance just left their \$5000 investment in the Dow Jones the entire time from 1991 until 2015?

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5. All of the investments on the last page would actually be worth more than we found. Give two reasons why:

a. _____

b. _____

6. What is the worst thing you can do when the market experiences a downturn?

7. Why do aggressive investors make more money during an economic downturn?

8. True/False: Over the long term if you ride out the stock market ups and downs, you will still likely make a nice profit on your investment?