# Activity 2

## BUILDING A BOND PORTFOLIO

Assume that loved ones have purchased primary market bonds for you on your birthday with the intent that when they mature you will be able to use them to pay some of your college expenses. The chart below shows the face value of each bond, the year it was purchased, the coupon rate, and the maturity date. Use a calculator to complete the chart, then answer the questions below.

| Face Value of Bond | Date of Purchase | Coupon Rate | Maturity Date | Total Coupon Payments |
|---|---|---|---|---|
| $5,000 | 2010 | 7.50% | 10 years | $ |
| $1,000 | 2011 | 6.80% | 10 years | $ |
| $5,000 | 2012 | 5.00% | 10 years | $ |
| $10,000 | 2014 | 6.50% | 5 years | $ |
| $1,000 | 2015 | 7.00% | 5 years | $ |
| Combined Total | | | | $ 0.00 |

1. What will be the total amount earned in coupon payments on all of the bonds together? $__________________

2. Using the coupon rates on the chart, what can you assume about the price of the 2010 and 2011 bonds if you had sold them on the secondary market in 2012? Explain.

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3. Which bond earns the most in coupon payments at maturity? Why?

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4. Based on what you have learned about bonds, do you think you would consider them as an investment choice? Why or why not?

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