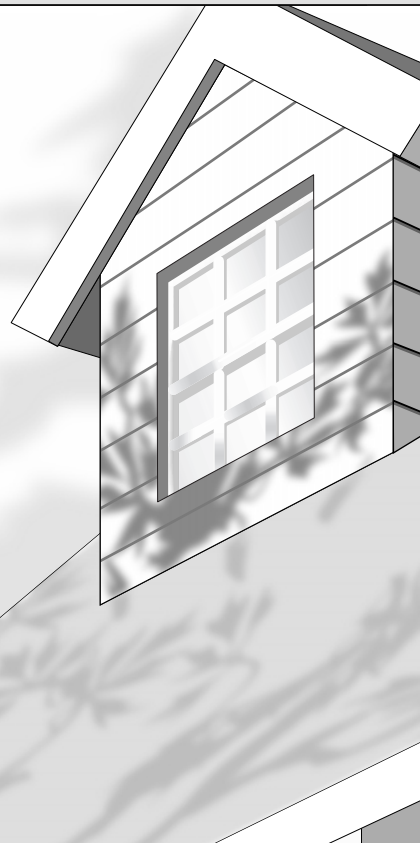
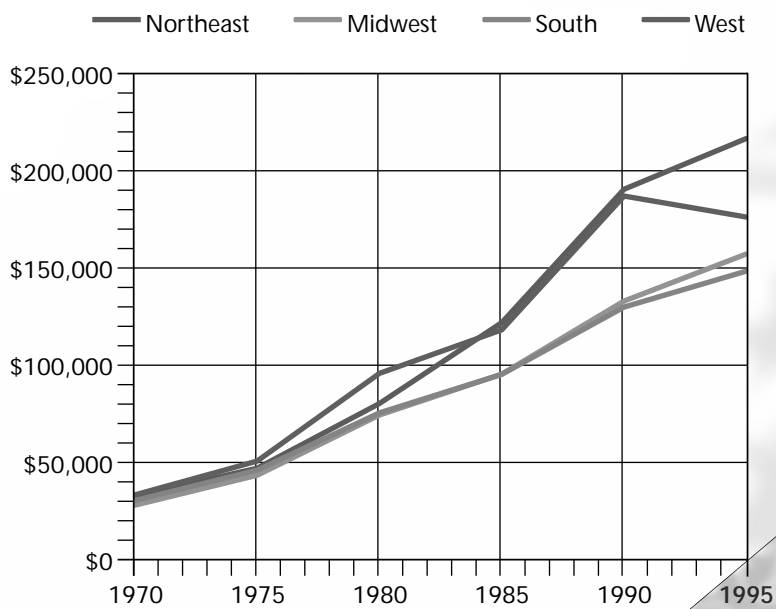


# CHAPTER 11

Figure 11.1

## Average Sales Prices of New Single-Family Homes



### UP AND AWAY

The average selling price of homes in the United States has risen steadily since 1970. Which region of the country experienced the greatest gain? The lowest?

# CHAPTER 11

Figure 11.3

## Fluctuations in the Price of Gold Since 1976



### GOLD'S WILD RIDE

The value of gold fluctuated widely during the last quarter of the 1900s.  
*What might explain the spike in gold prices from 1978 to 1980?*

Figure 11.4

## *In the Long Race Stocks Win*



Asset	Average Annual Return After...			
	1 Year	5 Years	10 Years	20 Years
Stocks	2.6%	10.4%	15.5%	13.1%
Bonds	0.7%	9.9%	14.1%	10.2%
3-Month Treasury Bills	4.3%	5.6%	6.7%	8.3%
Diamonds	0.0%	1.4%	5.9%	7.9%
Housing	1.8%	2.9%	4.1%	6.3%
Gold	4.7%	1.3%	-0.2%	4.5%

Source: Sumner N. Levine, ed., *Business and Investment Almanac*, 1995 (Burr Ridge, IL: Richard D. Irwin, 1995), p.249.  
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### BEST INVESTMENTS

According to the table, stocks and bonds offered investors the highest average annual return over the long term. **After one year, which asset provided the highest average annual return? After five years?**

## Your Financial Portfolio

### Collecting Treasures

Russell inherited three diamonds from his grandmother and needs to decide whether to keep them or sell them. He already had them evaluated for the “4 Cs”—clarity, color, cut, and carat weight—but not their actual dollar value. He took the diamonds and the evaluation papers to the Downtown Diamond Mart.

A sales representative at Diamond Exchange appraised them. The four-carat diamond was the most valuable because it was beautifully cut in a marquise shape, and it also had good clarity, meaning it had few microscopic bits of other elements embedded in it. Color also added to its value. It was close to the whitest end of the scale. The other two diamonds, a matched set of one-carat gems cut as round brilliants, were of a higher quality in clarity but more yellow. The appraiser told Russell that the three diamonds could be worth \$5,000, but gem dealers would probably offer him about half that. He also told him the Diamond Exchange would not be interested in buying them.

Russell went to another store that had a sign, “We Buy Diamonds,” but the most the store could offer was \$2,350. He decided to keep the diamonds in a safe-deposit box. They had value to him because they had belonged to his grandmother. By keeping them he had the option of turning them into cash in the future, possibly selling them for more money. He also liked the idea of making them into jewelry someday. After researching his grandmother’s diamonds, Russell is now interested in finding out more about other gems. One day he would like to start a gem collection.

**Apply** In your workbook or on a separate sheet of paper, list five things you might enjoy collecting that will keep their value or possibly be worth more in the future. Choose one and describe why it appeals to you. Describe how the experts could appraise its value, such as age, quality, rarity, and popular demand. Why would this collectible be interesting for you to keep? Do you think it would be a good or bad long-term investment? Explain why?