TEXT 6

Financial Adviser (or advisor)

A financial adviser (or advisor) is a professional who provides financial guidance to clients based on their needs and goals. Typically, they provide clients with financial products, services, planning or advice related to investing, retirement, insurance, mortgages, college savings, estate planning, taxes and more. Some other names for financial adviser include "investment advisor" and "registered representative." Financial advisers can also be insurance agents, accountantsor attorneys.

A significant issue to consider when evaluating a financial adviser or deciding on what kind of adviser to be is how they are paid. Some financial advisors are paid a flat fee for their advice and are considered fiduciaries, while others earn commissions from the products they sell to their clients. Some advisors, such as in the case of a hybrid adviser or dually registered advisor, charge fees as well as earn commissions depending on the product they are selling or the service they are providing. Fee-only arrangements are widely considered to be better for the client.

TEXT 7

Assets

A financial asset is a tangible liquid asset that derives value because of a contractual claim of what it represents. Stocks, bonds, bank deposits and the like are all examples of financial assets. Unlike land, property, commodities or other tangible physical assets, financial assets do not necessarily have physical worth. A financial asset derives value from a contractual claim. Since the asset does not have value until it is converted into cash, the value can fluctuate, especially in the case of stocks. Financial assets such as checking accounts, savings accounts and money market accounts are easily turned into cash for paying bills and covering financial emergencies, such as car repairs. Keeping too much money in illiquid investment s may result in using a high-interest credit card to cover bills, increasing debt, and negatively affecting retirement and other investment goals. In the case of stocks, an investor has to sell stock and wait for the settlement date to receive the cash; an investor must have other financial assets available for when emergencies arise.

TEXT 8

The 2008 Financial Crisis

The 2008 financial crisis was the worst economic disaster since 1929. The root cause led to near collapse of the banking system. It has been argued that the seeds of the crisis were sown as far back as the 1970s with Community Development Act, which forced banks to loosen their credit requirements for lower-income minorities, creating a market for subprime mortgages. The amount of subprime mortgage debt continued to expand into the early 2000s, about the time the Federal Reserve Board began to cut interest rates drastically to fend off a recession. The combination of loose credit requirements and cheap money spurred a housing boom, which drove speculation, which in turn drove up housing prices. In the meantime, the investment banks created collateralized debt obligations (CDOs) out of mortgages purchased on the secondary market. Because subprime mortgages were bundled with prime mortgages, there was no way for investors to understand the risks associated with the product. Around the time when the market for CDOs was heating up, the housing bubble was beginning to burst. As housing prices fell, subprime borrowers began to default on loans that were worth more than their homes. When investors realized the CDOs were becoming worthless, there was no market for them. Two major investment banks collapsed and more than 450 banks failed over the next five years. Several of the major banks were on the brink of failure had it not been for a taxpayer-funded bailout.

TEXT 9

Financial institutions

A financial institution (FI) is a company engaged in the business of dealing with monetary transactions, such as deposits, loans, investment s and currency exchange. Financial institutions encompass a broad range of business operations within the financial services sector, including banks, trust companies, insurance companies, and brokerage firms or investment dealers. Virtually everyone living in a developed economy has an ongoing or at least periodic need for the services of financial institutions.

Because financial operations are a critical part of any economy, and because essentially all of a country's citizenry depends on financial institutions for transactions, savings and investment needs, governments consider it imperative to oversee and regulate banks and other financial service companies. Historically, the bankruptcy of financial institutions creates panic within an economy. In the United States, the Federal Deposit Insurance Corporation (FDIC) insures regular deposit accounts to reassure individuals and businesses regarding the safety of their Finances on deposit with financial institutions. the health of a nation's banking system is a linchpin of economic stability. Loss of confidence in financial institutions can easily lead to additional negative externalities in the economy.