How savings and investments can create wealth for households

Read the definitions below and answer the questions that follow.

Savings: Portion of disposable income not spent on consumption of consumer goods but accumulated to be used at a later stage or to earn interest.
Investments: Making your money work for you by earning high rewards with higher risk than savings. In economics, investment means creation of capital or goods capable of producing other goods or services.
Wealth: Refers to an increase in your standard of living, mostly in terms of property or money; also called economic prosperity.

a) How can savings help your household create wealth? [2 marks]
b) How can investments help your household create wealth? [2 marks]

[Total: 4 marks]
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| 1               | 4              | a) When your household saves money it means that you will eventually be able to buy something that you could not afford to buy out of your normal spending money. You could save to buy a car. This will improve your standard of living and increase your wealth. [2 marks]
|                 |                | b) Investments make your money grow and provide earnings. This will increase your standard of living, thereby creating wealth. Investing in a home provides you with an asset that increases in value. You can earn an income from letting your home of a part of your home and you can earn capital and make a profit from selling your home. [2 marks] |