

# It's Your Money Test

1. Which of the following is the most "liquid" investment?  
*a. Mineral water, b. Stocks, c. Certificates of deposit, d. Bank saving account*
2. Why are women more rational/better when it comes to managing money?  
*a. Because they are more cautious, b. Financial service industry caters to men  
c. Do better research prior to making a decision, d. All of the above*
3. The Securities Investor Protection Corporation was chartered by Congress to combat fraud?  
*a. True, b. False (THEFT)*
4. What are capital gains?  
*a. When Congress tilts investment rules to favor the rich  
b. A loss resulting from the sale of an investment such as stocks or real estate  
c. An increase in weight or girth among members of Congress  
d. A profit resulting from the sale of an investment such as stocks or real estate*
5. Insurance agents are required by California law to be compensated through commissions?  
*a. True, b. False*

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6. What is the difference between a no-load mutual fund and a load mutual fund?
- a. No-load funds invest in software and other "idea" companies, not traditional manufacturers
  - b. Load funds are long-term investments suitable as a core holding in a portfolio
  - c. No-load funds offer streamlined procedures that allow rapid trades
  - d. Load funds charge a fee and/or a sales commission on investment transactions
7. For a married couple, probably the best method to hold title to property in California is in joint tenancy with right of survivorship?
- a. True,  b. False *Community Property w/ Right of Survivorship*
8. When you set up a bank checking account, you should ask about:
- a. The minimum deposit for free checking, b. Restrictions on no-fee accounts
  - c. The number of locations of ATMs,  d. All of the above
9. Most people after the age of 65 will need nursing home care?
- a. True, b. False *for 3 months or less*
10. Given the choice between saving for your retirement or saving for our child's college, most financial planners say you should?
- a. Save for college; your children will have more income with a college degree
  - b. Save for retirement; your children will have more options for paying for college than you will have for retirement income
  - c. Do a 50/50 split between the two; better to balance the two goals than pick one
  - d. Discourage your child from attending college; in most cases, it's not a good investment today

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11. Key issues to review before investing are:

- a. Your time horizon, b. Cash flow needs, c. Risk tolerance
- d. Future income requirements, e. Your tax situation, f. All of the above

12. Cash is best when donating to charity?

- a. True, b. False *Appreciated Assets are best*

13. Warren Buffet said that the use of a financial professional can detract from you achieving financial success?

- a. True, b. False *commission on financial products*

14. Typically, people pay less federal tax once they retire. But with federal debt so high, it's quite possible tax rates will rise for all Americans, including future retirees. Given the uncertainty, should you invest in a traditional or Roth IRA or 401(k)?

- a. **Roth.** While you don't get the immediate break off you income tax, your money can compound tax-free and Uncle Sam can't touch it when you withdraw it in retirement
- b. **Traditional.** Take the immediate tax break because, let's face it, with the paltry amount most Americans save, they'll be eating a lot of Tuna Helper between AARP meetings
- c. Depends. Use a Roth IRA or 401(k) in your early years, because your money will have the most time to compound. Switch to a traditional IRA or 401(k) as you near retirement and your income goes up, because the immediate tax break will become more valuable

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15. Historically, real estate (especially homeownership) has produced a better average annual return than stocks?

a. *True, US home prices rose three times as fast as stocks between 2001 and 2006. The 12.4% annual return, while high by historical standards, reflects how home prices outperform the S&P stock index over the long term*

b. **False.** *The long-term average return for stock prices is about 10%. Housing prices, historically, rise at the same rate or slightly greater than the long-term average US Inflation rate of 3% to 4%.*

16. When investing it is important to work hard, follow your instincts and have fun.

a. True, b. **False**

17. An investment portfolio's growth is driven by:

\*a. *How much you save, \*b. How long we invest, c. Investment performance*

\*d. *Investment costs, e. All of the above* \*most critical

18. Suppose you have \$100 in a savings account earning 2% interest a year. After 5 years, would you have:

a. **More than \$102**, b. Exactly \$102, c. Less than \$102

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19. Imagine that the interest rate on your savings account is 1% a year and inflation is 2%. After one year would your money in the account buy:  
*a. More than it does today, b. Exactly the same, c. Less than today*
20. If interest rates rise, what will typically happen to bond prices?  
*a. Rise, b. Fall, c. Stay the same, d. There is no relationship*
21. A 15 year mortgage typically requires higher monthly payments than a 30 year mortgage, but the total interest paid over the loan will be less?  
*a. True, b. False*
22. Buying a single company's stock usually provides a safer return than a stock mutual fund?  
*a. True, b. False*
23. A financial advisor registered with FINRA is legally obligated to serve in your best interest?  
*a. True, b. False*

questions 18 through 22 -  
average score 3 correct  
national  $\frac{1}{2}$  state test