

A 10 Question Quiz to Sharpen Your Money Smarts

See how much you know about how you should be saving and spending by taking this quick multiple-choice quiz (answers and scorecard provided at end).

- 1. Is it better to pay off your credit cards or add to your savings?**
 - a. It is better to pay down your credit cards before saving
 - b. It is better to add to your savings before paying off your credit cards
 - c. It is better to pay the minimum monthly payment on your credit cards first, and then save as much as you can
 - d. It is better to pay down credit as you save, paying off highest-interest cards first

- 2. How much of your income should you be saving each month for retirement?**
 - a. 1% to 5%
 - b. 5% to 10%
 - c. 10% to 15%
 - d. 15% to 20%

- 3. What percentage of your pre-retirement income will you likely need to maintain your lifestyle in retirement?**
 - a. 75% to 100%
 - b. 20% to 30%
 - c. 40% to 50%
 - d. 60% to 80%

- 4. What does investment diversification³ mean?**
 - a. Dividing your money among stocks, bonds and cash
 - b. Choosing investments that have different performance characteristics
 - c. Allocating your portfolio among conservative dividend-paying stock funds, growth and income funds, growth stock funds, and aggressive growth stock funds
 - d. All of the above

- 5. Which retirement-oriented investment vehicle is specifically designed to minimize the need to make changes as you approach retirement?**
 - a. Roth IRA
 - b. Variable annuities
 - c. Target-date funds
 - d. Money market funds

- 6. When does the IRS say you have to start taking withdrawals from your retirement plan or IRA?**
- a. Age 59½
 - b. Age 65
 - c. Age 67
 - d. Age 70½
- 7. What percentage of your annual income do most experts say should go toward paying your home mortgage?**
- a. No more than 10% of gross earnings
 - b. Up to 28% of gross earnings
 - c. No more than 33% of gross earnings
 - d. Up to 50% of gross earnings
- 8. How often should you rebalance your retirement portfolio?**
- a. Never
 - b. Quarterly
 - c. Annually
 - d. B or C, depending on market conditions
- 9. How much of an emergency fund should you set aside?**
- a. 6 months
 - b. 2 weeks
 - c. 2 years
 - d. 5 days
- 10. What asset class has, on the whole, produced the best performance results since 1929, but carries the most risk in the short term?**
- a. Bonds
 - b. Stocks
 - c. Gold
 - d. Baseball cards

Answers: 1, d; 2, c; 3, a; 4, d; 5, c; 6, d; 7, b; 8, d; 9, a; 10, b.

Score yourself

Eight to ten answers correct: Take a bow, Financial IQ genius!

Four to seven answers correct: Brushing up on a few basic concepts will improve your money smarts.

Zero to three answers correct: Well, you still have your looks.

³ Diversification neither assures a profit nor guarantees against loss in declining markets.



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