

WHAT'S YOUR FINANCIAL IQ?

financial fitness



Rocky Mills, North Ranch Resident

Try this simple quiz to test your financial acumen. Are you a perfect 10?

- If interest rates rise, what will typically happen to bond prices?
 - Rise
 - Fall
 - Stay the same
 - There is no relationship

- If your investment earns a steady 5% per year, approximately how long would it take for your investment to double?
 - 25 years
 - 20 years
 - 14 years
 - 10 years

- "Beta" measures:
 - A stock's sensitivity to market risk
 - A bond's sensitivity to interest rate changes
 - The strength of a stock's dividend paying ability
 - When it's better to buy a tax-free bond (Break Even Tax Advantage)

- Diversification in a stock portfolio:
 - Reduces individual stock risk
 - Does nothing to reduce market risk
 - Both (a) and (b)
 - Neither (a) nor (b)

- A stock goes "X-Dividend" on May 1st and will be paid to shareholders on May 10th. You've owned the stock for years and sell it on May 5th.
 - You're not entitled to receive the dividend because you sold it before the 10th
 - You're entitled to receive the dividend as long as you sold the stock for a gain
 - You're entitled to receive the dividend as long as you sold the stock for a loss
 - You're entitled to receive the dividend, regardless of the gain or loss

- Assuming you meet all the other qualifications, what's the most that you (as the employer) can put into your SEP IRA for 2016?
 - \$5,500
 - \$53,000
 - \$53,000 plus another \$1,000 "catch-up" contribution if you're over age 50
 - Unlimited, but not greater than 25% of compensation

- A "junk bond" is...
 - Non-investment-grade (rated below BBB by S&P or Baa by Moody's)
 - Also called a "high yield bond"
 - Are often used to finance take-overs
 - All of the above

- XYZ stock is trading at \$45. You put in an order to sell 100 shares at "\$40 stop"
 - Your order becomes a "market" order when the stock first trades at \$40. There's a chance you could get less than \$40 if the next trade is less than \$40
 - Your order becomes a "\$40 limit" order when the stock first trades at \$40. This means you will not accept a price below \$40, which means there's a chance it will not get sold if the stock stays below \$40
 - When the stock first trades below \$40, you will be notified and can decide if you wish to sell
 - None of the above

- You buy a stock that goes up 50% in year 1 and drops 40% in year 2. You sell at the end of this 2-year period. Assuming no costs to buy or sell, did you make a profit?
 - Yes - you made 10%
 - No - you broke even
 - No - you've taken a 10% loss
 - None of the above

- "Accrued interest" is the interest that a bond has earned since it last paid its coupon.
 - When you buy a bond, you pay the accrued interest in addition to the cost of the bond
 - When you sell a bond, you get paid the accrued interest in addition to the proceeds for the bond itself
 - For determining capital gains, accrued interest is not included in your cost basis or your sales proceeds
 - All of the above

I'll post the answers on my website: www.westlakeia.com, click on the WRITINGS tab.

Robert A. "Rocky" Mills is president of Westlake Investment Advisors in Westlake Village. 805-277-7300. www.westlakeia.com. He is a registered representative with, and securities offered through, LPL Financial, Member FINRA/SIPC. Investment advice offered through Westlake Investment Advisors, a registered investment advisor and separate entity from LPL Financial.



We march to a different drum.

It's called **independence**. We don't have a corporate master -- our master is you. We have the autonomy to choose the most appropriate, unbiased research and investments for you.

Here's what drives us: *Your family.
Your lifestyle.
Your retirement.
Your legacy.*

Put our experience, credentials, discipline and **independence** on your team.

Robert A. "Rocky" Mills, MBA, CIMA, President

5743 Corsa Avenue, Suite 113 805-277-7300
Westlake Village, CA 91362 Rocky@WestlakeIA.com

Rocky Mills is a registered representative with and securities offered through LPL Financial, Member FINRA/SIPC