

## What's Your Financial IQ?

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

1. If interest rates rise, what will typically happen to bond prices?
  - a. Rise
  - b. Fall
  - c. Stay the same
  - d. There is no relationship
  
2. If your investment earns a steady 5% per year, approximately how long would it take for your investment to double?
  - a. 25 years
  - b. 20 years
  - c. 14 years
  - d. 10 years
  
3. "Beta" measures:
  - a. A stock's sensitivity to market risk
  - b. A bond's sensitivity to interest rate changes
  - c. The strength of a stock's dividend paying ability
  - d. When it's better to buy a tax-free bond (Break Even Tax Advantage)
  
4. Diversification in a stock portfolio:
  - a. Reduces individual stock risk
  - b. Does nothing to reduce market risk
  - c. Both (a) and (b)
  - d. Neither (a) or (b)
  
5. A stock goes "X-Dividend" on May 1<sup>st</sup> and will be paid to shareholders on May 10<sup>th</sup>. You've owned the stock for years and sell it on May 5<sup>th</sup>.
  - a. You're not entitled to receive the dividend because you sold it before the 10<sup>th</sup>.
  - b. You're entitled to receive the dividend as long as you sold the stock for a gain.
  - c. You're entitled to receive the dividend as long as you sold the stock for a loss.
  - d. You're entitled to receive the dividend, regardless of the gain or loss.
  
6. Assuming you meet all the other qualifications, what's the most that you (as the employer) can put into your SEP IRA for 2016?
  - a. \$5,500
  - b. \$53,000
  - c. \$53,000 plus another \$1,000 "catch-up" contribution if you're over age 50
  - d. Unlimited, but not greater than 25% of compensation
  
7. A "junk bond" is...
  - a. Non-investment-grade (rated below BBB by S&P or Baa by Moody's)

- b. Also called a “high yield bond”
  - c. Are often used to finance take-overs
  - d. All of the above
8. XYZ stock is trading at \$45. You put in an order to sell 100 shares at “\$40 stop”.
- a. 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.
  - b. 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.
  - c. When the stock first trades below \$40, you will be notified and can decide if you wish to sell.
  - d. None of the above.
9. 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?
- a. Yes – you made 10%
  - b. No – you broke even
  - c. No – you’ve taken a 10% loss
  - d. None of the above
10. “Accrued interest” is the interest that a bond has earned since it last paid its coupon.
- a. When you buy a bond, you pay the accrued interest in addition to the cost of the bond.
  - b. When you sell a bond, you get paid the accrued interest in addition to the proceeds for the bond itself.
  - c. For determining capital gains, accrued interest is not included in your cost basis or your sales proceeds.
  - d. All of the above.

---

Answers: 1B, 2C, 3A, 4C, 5D, 6B, 7D, 8A, 9C, 10D

*There is no guarantee that a diversified portfolio will enhance overall returns or outperform a non-diversified portfolio. Diversification does not protect against market risk.*

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.*