

## 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 diversification<sup>3</sup> 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?**
- Age 59½
  - Age 65
  - Age 67
  - Age 70½
- 7. What percentage of your annual income do most experts say should go toward paying your home mortgage?**
- No more than 10% of gross earnings
  - Up to 28% of gross earnings
  - No more than 33% of gross earnings
  - Up to 50% of gross earnings
- 8. How often should you rebalance your retirement portfolio?**
- Never
  - Quarterly
  - Annually
  - B or C, depending on market conditions
- 9. How much of an emergency fund should you set aside?**
- 6 months
  - 2 weeks
  - 2 years
  - 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?**
- Bonds
  - Stocks
  - Gold
  - 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.

<sup>3</sup> Diversification neither assures a profit nor guarantees against loss in declining markets.



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