Name: _______________ **Date:** _______________

Answer Key: Shark Tank Survivor: Your 10th Grade Wealth Building Quest

Synthesize complex fiscal data across 10 high-stakes questions to evaluate risk, tax-advantaged growth, and capital allocation strategies.

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1. When comparing a traditional 401(k) to a Roth IRA, which factor primarily determines the long-term mathematical advantage of one over the other?

Answer: B) Your anticipated marginal tax rate at retirement versus today

Roth IRAs provide tax-free withdrawals, making them better if your tax rate will be higher later; Traditional accounts offer immediate tax deductions, favoring those currently in higher tax brackets.

2. An investor practices 'Tax-Loss Harvesting' by selling an underperforming REIT to offset capital gains from a tech stock sale. This strategy primarily impacts which financial metric?

Answer: C) Net After-Tax Return

Tax-loss harvesting is a sophisticated strategy used to minimize the amount of taxes paid on investment gains, thereby increasing the net return on a portfolio.

3. In the context of the 'Rule of 72,' if an emerging market fund has an expected annual return of 9%, it will take approximately ____ years for your principal investment to double.

Answer: B) 8 years

The Rule of 72 is a simplified formula (72 divided by the interest rate) to estimate the number of years required to double the invested money at a given annual rate of return.

4. A 'Fiduciary Duty' means that a financial advisor is legally required to act in their own best interest rather than the client's interest.

Answer: B) False

A fiduciary is legally and ethically obligated to put the client's interests ahead of their own, which is a higher standard than the 'suitability' standard.

5. Which of the following scenarios describes the detrimental effect of 'Inflation Risk' on a long-term wealth strategy?

Name: _______________ **Date:** _______________

Answer: B) Holding 100% of assets in a 0.5% savings account while CPI rises by 3%

If the rate of inflation (CPI) exceeds your rate of return, your purchasing power diminishes over time, effectively losing wealth despite the nominal balance staying the same.

6. When an investor buys a _________, they are essentially acting as the lender to a corporation or government entity in exchange for periodic interest payments.

Answer: B) Corporate Bond

Bonds are debt instruments; the investor is the creditor and the issuer is the debtor. This contrasts with stocks, which represent equity or ownership.

7. Dollar-cost averaging (DCA) is a strategy designed to reduce the impact of volatility by investing fixed dollar amounts at regular intervals regardless of price.

Answer: A) True

DCA removes the emotional element of 'timing the market' and ensures you buy more shares when prices are low and fewer when prices are high.

8. High-yield 'junk bonds' typically offer higher interest rates than investment-grade bonds because:

Answer: B) The issuer has a higher risk of default

In finance, risk and return are correlated. To attract investors to a riskier loan (lower credit rating), the issuer must offer a higher yield.

9. A sharp increase in the _________ ratio of a stock usually suggests that investors are expecting high future earnings growth, or that the stock is overvalued.

Answer: C) Price-to-Earnings (P/E)

The P/E ratio measures a company's current share price relative to its per-share earnings; it is a key metric for valuing companies and predicting market sentiment.

10. If you are 'Diversified' across different asset classes, which of the following is most likely to happen during a sector-specific downturn (e.g., a Tech Bubble burst)?

Answer: B) Your gains in other areas (like commodities or bonds) may mitigate the losses

Asset allocation and diversification spread risk so that the poor performance of one investment or sector doesn't destroy the entire portfolio's value.

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