

Name: _____ Date: _____

Rich Mindset, Poor Planning: 11th Grade Wealth Synthesis Quiz

Learners dissect complex capital structures and tax-advantaged growth strategies to evaluate long-term solvency in volatile market conditions.

1. A 17-year-old investor utilizes a Roth IRA rather than a traditional brokerage account to capitalize on 'tax-free growth.' Which economic principle most accurately justifies this decision for a high-income future earner?

- A. Immediate liquidity through money market integration
- B. Arbitrage between current low tax brackets and future higher rates
- C. Elimination of inflation risk via fixed-income security
- D. Reduction of the principal-agent problem in portfolio management

2. The use of a _____ allows an investor to defer capital gains taxes by reinvesting proceeds from the sale of an investment property into a 'like-kind' asset.

- A. Standard Deduction
- B. 401(k) Rollover
- C. 1031 Exchange
- D. Wash Sale Rule

3. True or False: A 'Zero-Based Budget' requires that an individual's bank account balance reaches \$0.00 at the end of every 30-day billing cycle.

- A. True
- B. False

4. When assessing a borrower's creditworthiness beyond a FICO score, a lender calculates the 'Debt-to-Income (DTI) Ratio.' Why is this metric critical for someone seeking a jumbo mortgage?

- A. It measures the total collateral available in a liquidity crisis
- B. It determines the speed at which compounding interest erodes equity
- C. It evaluates the capacity to absorb new debt based on gross monthly cash flow
- D. It highlights the variance between credit utilization and total limits

5. In the context of the 'efficient market hypothesis,' an investor who consistently buys an equal dollar amount of a volatile asset regardless of price is practicing _____.

- A. Dollar-cost averaging
- B. Active swing trading
- C. Market timing
- D. Asset allocation

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6. An investor's portfolio consists of 90% tech stocks and 10% cryptocurrencies. During a sector-specific downturn, the portfolio loses 30% of its value. This scenario highlights a failure in which advanced strategy?

- A. Tax-loss harvesting
- B. Asset correlation management
- C. Fiat currency hedging
- D. Short-selling equilibrium

7. True or False: Increasing the 'deductible' on an insurance policy typically leads to a decrease in the 'premium' cost but increases the policyholder's out-of-pocket risk.

- A. True
- B. False

8. A stock that yields a high _____ provides the investor with a share of the company's profits, often used as a strategy for passive income in retirement.

- A. P/E Ratio
- B. Dividend
- C. Expense Ratio
- D. Beta Factor

9. If the Federal Reserve raises interest rates to combat inflation, how is a consumer with a variable-rate 'Home Equity Line of Credit' (HELOC) most likely affected?

- A. Their principal balance will automatically decrease
- B. Their monthly interest payment will increase
- C. Their credit score will improve due to macro-economic stability
- D. The loan will transition to a fixed-rate status

10. True or False: Utilizing 'leverage' (borrowing money to invest) is a guaranteed method to increase the internal rate of return (IRR) regardless of market performance.

- A. True
- B. False