Name: _______________ **Date:** _______________

Answer Key: When Assets Attack 11th Grade Finance Quiz

Junior year economists analyze compound interest scenarios and evaluate the risk-return tradeoff of ETFs versus individual commodities to build long-term wealth portfolios.

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1. If an investor chooses a Target Date Fund (TDF) with a 2060 horizon, how will the asset allocation typically shift as the year 2060 approaches?

Answer: B) The portfolio will shift from volatile equities toward stable fixed-income assets.

Target Date Funds use a 'glide path' to automatically reduce risk by moving from stocks to bonds as the investor nears retirement age.

2. A 'Fiduciary Duty' requires a financial advisor to legally prioritize their client's best interests over their own commission-based incentives.

Answer: A) True

Unlike the 'suitability standard,' the fiduciary standard is a legal obligation to provide the most beneficial advice regardless of the advisor's compensation.

3. Which term describes the economic phenomenon where an individual's spending increases as their income rises, often preventing wealth accumulation?

Answer: C) Lifestyle Creep

Lifestyle creep occurs when former luxuries become perceived necessities as income levels increase, making it harder to save the surplus.

4. A borrower has a utilization rate of 85% on their revolving credit lines. What is the most likely impact on their FICO score?

Answer: C) The score will decrease because high utilization suggests financial overextension.

Credit utilization (the ratio of debt to limits) is the second most important factor in credit scoring; staying under 30% is generally recommended.

5. When an investor buys a _________, they are essentially lending money to a corporation or government for a set period in exchange for interest payments.

Answer: A) Municipal Bond

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Bonds (including municipal, corporate, or federal) are debt instruments, whereas stocks represent equity or ownership.

6. Which of the following describes a tax-advantaged 'Roth' IRA characteristic?

Answer: B) Withdrawals in retirement are generally tax-free because contributions were made with after-tax dollars.

Roth accounts focus on 'tax-free growth,' meaning you pay taxes now so you don't have to pay them on the gains later.

7. Dollar-cost averaging (DCA) is a strategy where an investor buys more shares when prices are low and fewer when prices are high by investing a fixed dollar amount regularly.

Answer: A) True

By investing the same amount of money every month regardless of market price, you naturally buy more of an asset when it is on sale.

8. What is the primary benefit of a 'Health Savings Account' (HSA) for an individual with a high-deductible health plan?

Answer: B) It offers triple tax advantages: pre-tax contributions, tax-free growth, and tax-free withdrawals for medical costs.

HSAs are powerful wealth-building tools because money goes in, grows, and comes out without ever being taxed if used for healthcare.

9. In the context of the Time Value of Money, why is $1,000 today worth more than $1,000 five years from now?

Answer: B) The opportunity cost of not being able to invest that money for growth.

Due to inflation and potential investment earnings (compounding), money held now has a higher 'present value' than the same amount in the future.

10. A 'Bear Market' is defined as a period where the stock market experiences a sustained decline in prices, typically a drop of 20% or more from recent highs.

Answer: A) True

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A decline of 20% is the standard technical definition of a bear market, often accompanied by widespread investor pessimism.