

Name: \_\_\_\_\_ Date: \_\_\_\_\_

## 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?**

- A. The fund will increase exposure to high-growth tech stocks.
- B. The portfolio will shift from volatile equities toward stable fixed-income assets.
- C. Management will liquidate all assets into a standard checking account.
- D. The expense ratio will increase to cover higher management risks.

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

- A. True
- B. False

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

- A. The Wealth Gap
- B. Capital Appreciation
- C. Lifestyle Creep
- D. Asset Diversification

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

- A. The score will increase because it shows active use of credit.
- B. The score will remain neutral if they pay the minimum balance.
- C. The score will decrease because high utilization suggests financial overextension.
- D. The score will only change if they apply for a new loan.

**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.**

- A. Municipal Bond
- B. Common Stock
- C. Dividend Reinvestment Plan
- D. Mutual Fund

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

- A. Contributions are tax-deductible in the year they are made.

Name: \_\_\_\_\_ Date: \_\_\_\_\_

- B. Withdrawals in retirement are generally tax-free because contributions were made with after-tax dollars.
- C. The employer must match at least 3% of the employee's contributions.
- D. It is only available to individuals working in the public sector.

**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.**

- A. True
- B. False

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

- A. It provides a guaranteed 10% return on investment.
- B. It offers triple tax advantages: pre-tax contributions, tax-free growth, and tax-free withdrawals for medical costs.
- C. It functions as life insurance in the event of an accident.
- D. It allows the user to skip the deductible on all emergency visits.

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

- A. The purchasing power of the dollar usually increases over time.
- B. The opportunity cost of not being able to invest that money for growth.
- C. Banks charge a storage fee for holding cash longer than one year.
- D. Current tax laws incentivise deferred spending.

**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.**

- A. True
- B. False