

## Personal Finance IQ

What is your personal finance IQ? Find out by taking the following true or false quiz.

1. Surveys indicate that a high proportion of Americans feel financially insecure. This insecurity is primarily because the incomes of Americans are low.
2. Financial success is primarily the result of setting long-term goals and developing a plan to achieve them.
3. If you are going to increase your wealth, it is vitally important for you to allocate funds regularly into savings and investments.
4. If you have \$50,000 of outstanding debts and the market value of your assets is \$30,000, your "net worth" is negative \$20,000.
5. The purpose of a budget is to increase awareness of how funds are spent and to help the individual or household develop a plan to control spending more effectively and save for the future.
6. It makes sense to allocate funds regularly into a special savings account so you will be better able to deal with future surprise expenditures.
7. Corporate stock investments are a particularly attractive method to save funds for unexpected future expenditures such as those associated with auto repairs and health problems.
8. When purchasing a house, you will often be able to bargain for a lower price and arrange a loan at a lower interest rate if you are able to make a sizeable down payment (for example, 20 percent).
9. It is costly to purchase a new car every two or three years because new cars depreciate rapidly during their first few years of use.
10. If you can afford the monthly payment, you will be able to save money by purchasing a new car rather than a used one because the maintenance cost will be lower for the new car.
11. If an auto dealership or furniture store is offering zero-interest financing for 36 months, you will be able to save money by purchasing from those sellers.
12. If you make the minimum monthly payment on your outstanding credit card balance, you will not incur any interest charges.
13. If your credit card balance is well below the limit, you do not need to save for emergency expenditures because the unused borrowing power on your credit card is like funds in an emergency savings account.
14. The use of credit cards to purchase and finance spending on items like food, clothing, and entertainment is highly likely to lead to serious financial problems.
15. The interest rates charged on outstanding credit card balances are usually quite low because these loans are highly secure.
16. Saving and the power of compound interest can make it possible for you to consume more and achieve a higher living standard in the future.

17. If you have funds in an investment account earning a 10 percent average annual rate of return, it will take approximately 7 years for the funds in the account to double.
18. Corporations are required by law to pay a specified dollar amount per share to their common stock shareholders each year.
19. The administrative costs of managed equity mutual funds will generally be lower than for indexed equity funds because managed funds typically spend less on research and stock trading than indexed funds.
20. Historically, the rate of return on a diverse holding of corporate stocks has been higher than the return derived from low-risk bonds.
21. Diversification of one's portfolio is important for the reduction of risk because the value of a narrow set of assets may change dramatically over a short period of time.
22. An indexed equity mutual fund will provide shareholders with a return each year that is exactly equal to the change in the consumer price index during that year.
23. An unexpected increase in the rate of inflation will tend to reduce the market value of outstanding bonds yielding a fixed nominal interest return.
24. As people approach retirement, they should invest a larger share of their retirement funds in stocks and a smaller share in bonds and other fixed return assets.
25. If career objectives may cause you to move from an area during the next two or three years, you should purchase a home if your mortgage payments are less than your rental costs.
26. A history of late payments on credit cards, a defaulted car loan and an unstable employment history will adversely affect your credit score.
27. Tax saving plans such as a traditional Individual Retirement Account (IRA) will reduce your current tax liability and allow you to earn a higher return than would otherwise be possible in the long-run.
28. If it is possible to earn an interest rate of 7 percent, the cost of spending \$4 per day on a premium cup of coffee over a 40 year period will be more than \$300,000.
29. Your take home pay will be less than your gross earnings because of taxes and benefits provided through payroll deductions.
30. If you want to avoid financial anxiety, it would be wise to gradually increase the outstanding balance on your credit cards to the credit limit.