

Test your Money Smarts

Facts on Saving and Investing Campaign
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Check the correct answer. If you don't know the answer, check "don't know."

1. If you buy a company's stock,

- A. you own a part of the company.
- B. you have lent money to the company.
- C. you are liable for the company's debts.
- D. the company will return your original investment to you with interest.
- E. don't know.

2. If you buy a company's bond,

- A. you own a part of the company.
- B. you have lent money to the company.
- C. you are liable for the company's debts.
- D. you can help manage the company.
- E. don't know.

3. Over the past 70 years the type of investment that has earned the most money, or the highest rate of return, for investors has been

- A. stocks.
- B. corporate bonds.
- C. savings accounts.
- D. don't know.

4. If you buy the stock of a new company,

- A. you cannot lose money.
- B. you can lose all the money you used to buy the stock.
- C. you can lose only a portion of the money used to buy the stock.
- D. don't know.

5. Monique owns a wide variety of stocks, bonds, and mutual funds to lessen her risk of losing money. This is called

- A. saving.
- B. compounding.
- C. diversifying.
- D. don't know.

6. Carlos has saved some cash and faces these choices. What would be the best thing for him to do?

- A. put it in his savings account.
- B. invest in a mutual fund.
- C. buy a U.S. Savings bond.
- D. pay off the balance on his credit card that charges 18% interest.
- E. don't know.

7. Maria wants to have \$100,000 in 20 years. The sooner she starts to save, the less she'll need to save because

- A. the stock market will go up.
- B. interest rates will go up.
- C. interest on her savings will start compounding.
- D. don't know.

8. Jennifer wants to take some of her savings and invest in a mutual fund because mutual funds are

- A. guaranteed to earn more than savings accounts.
- B. risk free.
- C. managed by experts at picking investments.
- D. don't know.

9. Bob is 22 years old and wants to start saving now for his retirement in 43 years. Of these choices, where should Bob put most of his money now for this long-term goal?

- A. a savings account at the bank.
- B. a checking account at the bank.
- C. a mutual fund that invests in stocks.
- D. the stock of one company.
- E. don't know.

10. Federal and state laws protect investors by requiring companies to

- A. show profits before they can sell stock.
- B. give investors important information.
- C. pay dividends.
- D. repay investors who have lost money.
- E. don't know.

Get the facts.

It's your money.

It's your future.