

Financial IQ – A 10-Question Quiz to Test Your Money Smarts

See how much you know by taking this quick multiple-choice quiz

(Answers and scorecard provided at end.)

1. What percentage of your FICO credit score is calculated based on your track record of paying bills on time?
 - a. 0%
 - b. 15%
 - c. 25%
 - d. 35%
2. What is the best way for most people to finance a new car purchase?
 - a. A three-year loan
 - b. A five-year loan
 - c. A loan from your 401(k) account
 - d. A lease
3. Which of the following statements is true about your credit score?
 - a. You get 200 points for correctly entering your name online.
 - b. It's the same as the balance on your highest interest rate credit card.
 - c. Employers are not allowed to view it.
 - d. It can help you negotiate a lower financing rate on a car or home loan.
4. Which of the following will improve your credit score?
 - a. Paying your bills on time
 - b. Opening and closing multiple credit card accounts
 - c. Keeping your amount of total debt large
 - d. Changing jobs and addresses frequently
5. Which retirement-oriented investment vehicle is specifically designed to minimize the need to make changes as you approach retirement?
 - a. Roth IRA
 - b. Variable annuities
 - c. Target-date funds
 - d. Money market funds
6. Which of the following statements is true?¹
 - a. Only 57% of the U.S. population is financially literate.
 - b. The financial literacy gap between men and women in the U.S. is 10%.
 - c. Only (a) is true.
 - d. Both (a) and (b) are true.
7. Which of the following statements is true of investment products, including bonds, stocks and mutual funds?
 - a. They are available through a bank or brokerage firm.
 - b. They can lose value.
 - c. They are not insured by the FDIC.
 - d. All of the above.
8. What's the optimal outcome for a \$1,000 investment portfolio held over a two-year period?
 - a. Its value increases 100% the first year, then drops 50% the second year.
 - b. Its value goes up 10% the first year and remains unchanged in the second year.
 - c. Its value increases 5% each year.
 - d. Its value goes down 50% the first year, but then increases 120% the second year.



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9. Let's say that the interest rate on your savings account was 1% per year and inflation was 2% per year. After one year, would you be able to buy more than, exactly the same as, or less than today with the money in your account?
- Less than today
 - More than today
 - Exactly the same as today
 - Do not know
10. If interest rates fall, what should happen to bond prices?
- They will rise.
 - They will fall.
 - They will stay the same.
 - I don't know.

Answers:

1. d; 2. a; 3. d; 4. a; 5. c; 6. d; 7. d; 8. c; 9. a; 10. a.

Score yourself!

Eight to 10 answers correct: You are brilliant when it comes to money. Keep it up!

Four to seven answers correct: Brushing up on a few basic concepts will improve your confidence in financial matters.

Zero to three answers correct: You need to take more time to master the complexities of your financial life. Taking even small steps helps.

¹ Source: S&P Ratings 2015 Financial Literacy Survey.
rch/eclett/2016/el1603.pdf.



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