

A Safe Plan For Retirement Exam

Name: _____

License Number: _____

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Section 1: Multiple Choice

Write the Letter which corresponds to the appropriate answer in the field provided underneath the question. There is only one correct answer for each question

1. In this course, we discussed five major challenges that people face with regard to retirement. Which of the following **IS NOT** one of these challenges?
- A. Unrelenting Inflation
 - B. To have a retirement plan
 - C. Living in a dangerous neighborhood
 - D. Outliving our money
-

2. When People use the phrase “loss of Purchasing power”, what are they referring to?
- A. The effects of low interest rates, combined with inflation and taxes.
 - B. Losing vast amounts of money in the stock market, impairing the ability to purchase.
 - C. Being unable to invest in the stock market due to lack of knowledge.
-

3. What is a CD?
- A. Certain deficit
 - B. Certificate of death
 - C. Certificate of deposit
-

4. Which of the following is **NOT TRUE** of variable annuities?
- A. The underlying securities (stocks and bonds), are subject to market volatility, plus fees.
 - B. They are market-sensitive investments.
 - C. They ensure you will never lose money from market declines
-

5. Which of the following financial instruments is considered a savings product in the presentation, if held to maturity, meaning it is not market-sensitive?
- A. CDs
 - B. Treasury Notes
 - C. Treasury Bills
 - D. Savings Bonds
 - E. Fixed Annuities
 - F. All of the Above
-

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6. What is the main point of the article regarding “the math of recovery”?
- A. Consumers need to avoid large losses in retirement
 - B. Consumers should take a math class before attempting to manage their money
 - C. When you need to recover money, you should use an algebraic equation
-

7. Why is a 10% return in the stock market a myth?
- A. Costs
 - B. Fees
 - C. Expenses
 - D. Market Timing
 - E. All of the Above
-

8. Which of the following is true about a price to earnings ratio (P/E ratio)?
- A. Is a measure of the price paid for a share relative to the income or profit earned by the firm per share
 - B. A higher P/E ratio means that investors are paying more for each unit of income
 - C. A lower P/E ratio means that investors are paying less for each unit of income
 - D. All of above
-

9. In regard to the course, what is a “nest egg”?
- A. Your retirement savings
 - B. Savings for your children
 - C. Your home
-

10. Which of the following factors **IS NOT** a relevant factor in retirement planning?
- A. Client objective
 - B. Risk Tolerance
 - C. Political Views
 - D. Time Horizon
-

11. Which of the following choices is an essential method for personal retirement planning?
- A. Filling out a personal financial profile
 - B. Discussing your finances with friends and family
 - C. Doing a Google search for “retirement planning”
-

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12. In an attempt to increase the value of your nest egg, while maintaining the safety of principle, so that you can get ahead of taxes and inflation
- A. Consider a variable annuity
 - B. Consider a tax-deferred annuity
 - C. Save for retirement using cash only
-

13. Which of the following is often referred to as producing “phantom income”?
- A. CDs
 - B. Annuities
 - C. Mutual Funds
-

14. If you are interested in safety in regard to retirement savings options, which option is best when you understand the tax consequences?
- A. A CD at 5%
 - B. An Annuity at 5%
 - C. A money market account at 5%
-

15. As discussed in the presentation, a dual tax burden is comprised of:
- A. 1099 CD interest and the taxation of your social security benefits
 - B. Having dual citizenship in both the US and Canada
 - C. Having both annuities and mutual funds in your financial portfolio
-

16. In discussing “The practical Math involved with investing”: If you lose 25% with a market sensitive investment (MSI), and the costs/fees for this MSI are 3%, you now need an increase of X%, just to get your money back!
- A. 39%
 - B. 25%
 - C. 28%
 - D. 10%
-

Section 2 on Next Page

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Section 2: Filling in the Blank

Filling in the blank with the appropriate term, using the word bank below. Each term will be used once, leaving no left over words. **(Word bank on next page)**

17. _____ annuities are market-sensitive investments which fluctuate along with the market. _____ annuities, on the other hand, will ensure that you do not lose money when stock market indexes drop.
18. With regard to risk tolerance, there are four types of investors. Identify each.
_____ “I cannot tolerate any loss of investment”
_____ “I cannot tolerate any loss of my investment, however I am willing to accept a 0% return in a particular year (when a market index is down for the year), in exchange for moderate returns (when a market index is up in other years), as long as my principal and interest gains are locked-in my account annually.”
_____ “I can accept moderate short-term losses in exchange for the possibility of moderate long term gains.”
_____ “I can tolerate large losses in exchange for the possibility of larger long term gains.”
19. There are three things we do with our money. We spend, _____, and _____.
20. When interest rates go _____, bonds go _____.
21. Under the Internal Revenue code, _____ are afforded certain privileges not given to other types of investment.
22. Income Plans, commonly referred to as _____, are engineered to provide retirement income.
23. The _____ may be more appropriate for the investor who has already placed sufficient savings in a safe place.
24. By considering a mix of investments and/or savings vehicles, you are said to be _____ your retirement portfolio.
25. A _____ may have a certain orientation. For example, an advisor oriented towards market sensitive investments may be more likely to recommend an investment product tied directly to the stock market.
26. By answering _____ you can determine your personal retirement planning perspective.
27. A _____ P/E ratio means that investors are paying more for each unit of income. Conversely, A _____ P/E ratio means that investors are paying less for each unit of income.
28. Like many other things in life, _____ is important when it comes to retirement planning.
29. Although there is potential for gain in the stock market, there is always the potential for _____, and one must consider the _____ associated with market-sensitive investments.
30. The _____ helps us to determine where different savings and investment vehicles fall, in terms of market fluctuation.
31. Though they are often considered “safe” by the public, _____ are subject to _____ and the _____ process.

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Word Bank

- Aggressive
- Annuities
- Bonds
- Conservative
- Costs
- Diversifying
- Down
- Financial advisor
- Fixed-indexed
- High
- Invest
- Laddering
- Loss
- Low
- Market fluctuation
- Moderate
- Moderate/Conservative
- Moderation
- Personal financial questionnaire
- Probate
- Save
- Spectrum of risk and return
- Up
- Variable
- Variable annuity