

Financial IQ

A 10-Question Quiz to Sharpen Your Money Smarts



See how much you know about how you should be saving and spending by taking this quick multiple-choice quiz (answers and scorecard provided at end).

1. Is it better to pay off your credit cards or add to your savings?¹

- a. It is better to pay down your credit cards before saving
- b. It is better to add to your savings before paying off your credit cards
- c. It is better to pay the minimum monthly payment on your credit cards first, and then save as much as you can
- d. It is better to pay down credit as you save, paying off highest-interest cards first

2. How much of your income should you be saving each month for retirement?²

- a. 1% to 5%
- b. 5% to 10%
- c. 10% to 15%
- d. 15% to 20%

3. What percentage of your pre-retirement income will you likely need to maintain your lifestyle in retirement?³

- a. 75% to 100%
- b. 20% to 30%
- c. 40% to 50%
- d. 60% to 80%

4. What does investment diversification⁴ mean?⁵

- a. Dividing your money among stocks, bonds and cash
- b. Choosing investments that have different performance characteristics
- c. Allocating your portfolio among conservative dividend-paying stock funds, growth and income funds, growth stock funds, and aggressive growth stock funds
- d. All of the above

5. Which retirement-oriented investment vehicle is specifically designed to minimize the need to make changes as you approach retirement?⁶

- a. Roth IRA
- b. Variable annuities
- c. Target date funds
- d. Money market funds

6. When does the IRS say you have to start taking withdrawals from your retirement plan or IRA?⁷

- a. Age 59½
- b. Age 65
- c. Age 67
- d. Age 72

7. What percentage of your annual income do most experts say should go toward paying your home mortgage?⁸

- a. No more than 10% of gross earnings
- b. Up to 28% of gross earnings
- c. No more than 33% of gross earnings
- d. Up to 50% of gross earnings





8. How often should you rebalance your retirement portfolio?⁹

- a. Never
- b. Quarterly
- c. Annually
- d. B or C, depending on market conditions

9. How much of an emergency fund should you set aside?¹⁰

- a. Six months
- b. Two weeks
- c. Two years
- d. Five days

10. Which asset class has, on the whole, produced the best performance results since 1929 but carries the most risk in the short term?¹¹

- a. Bonds
- b. Stocks
- c. Gold
- d. Baseball cards



SCORE YOURSELF

Eight to ten correct answers: Take a bow, Financial IQ genius!

Four to seven correct answers: Brushing up on a few basic concepts will improve your money smarts.

Zero to three correct answers: Well, you still have your looks.

Answers: 1-d; 2-c; 3-a; 4-d; 5-c; 6-d; 7-b; 8-d; 9-a; 10-b.

¹ Source: <https://www.equifax.com/personal/education/debt-management/debt-repayment-vs-saving-money/>

² Source: <https://www.nerdwallet.com/article/investing/how-much-to-save-for-retirement>

³ Source: <https://www.troweprice.com/personal-investing/resources/insights/how-to-determine-amount-of-income-you-will-need-at-retirement.html>

⁴ Diversification neither assures a profit nor guarantees against loss in declining markets.

⁵ Source: <https://www.investopedia.com/terms/d/diversification.asp>

⁶ Source: https://www.investopedia.com/terms/t/target-date_fund.asp

⁷ Source: [irs.gov](https://www.irs.gov)

⁸ Source: <https://www.investopedia.com/terms/t/twenty-eight-thirty-six-rule.asp>

⁹ Source: <https://www.investor.gov/additional-resources/general-resources/publications-research/info-sheets/beginners-guide-asset>

¹⁰ Source: <https://www.tiaa.org/public/learn/personal-finance-101/building-an-emergency-fund>

¹¹ Source: Standard & Poors

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