***Personal Finance, 6e* (Madura)**
Chapter 18 Asset Allocation

18.1 How Diversification Reduces Risk

1) Asset allocation is the process of allocating money across financial assets, such as stocks, bonds, and mutual funds, with the objective of eliminating risk altogether.
Answer: FALSE
Diff: 2
Question Status: Previous edition

2) In constructing a portfolio, you should diversify across several investments.
Answer: TRUE
Diff: 1
Question Status: Previous edition

3) A portfolio can be less risky when its investments move in perfect tandem.
Answer: FALSE
Diff: 1
Question Status: Previous edition

4) The main benefit of diversification is that it reduces the exposure of your investments to the adverse effects of any individual stock.
Answer: TRUE
Diff: 1
Question Status: Previous edition

5) Diversifying your investments could protect you to some degree from the problems associated with misleading financial statements from some companies.
Answer: TRUE
Diff: 2
Question Status: Revised

6) The more volatile the returns of individual investments in a portfolio, the more volatile the portfolio's returns are over time.
Answer: TRUE
Diff: 1
Question Status: Previous edition

7) The more similar the returns of individual investments in a portfolio, the more volatile the returns are over time.
Answer: TRUE
Diff: 2
Question Status: Previous edition

8) When you compile a portfolio, you should include investments that exhibit a high positive correlation.
Answer: FALSE
Diff: 1
Question Status: Previous edition

9) Asset allocation is the process of dividing money across financial assets that include all of the following **except**
A) stocks.
B) bonds.
C) mutual funds.
D) All of the above can be used for asset allocation.
Answer: D
Diff: 1
Question Status: Revised

10) The objective of asset allocation is to
A) make investment decisions easier.
B) ensure the returns of the individual investments within a portfolio.
C) achieve a desired return on investment and eliminate the adverse risk of investing.
D) achieve a desired return on investment and maintain a tolerable risk level.
Answer: D
Diff: 1
Question Status: Revised

11) You can reduce investment risk by investing in
A) a corporate bond.
B) a portfolio of investments.
C) corporate stocks.
D) real estate.
Answer: B
Diff: 1
Question Status: Revised

12) The primary benefit of diversification is that it
A) is convenient.
B) is cheap.
C) reduces the exposure of your investments to adverse effects of any individual investment.
D) increases stock volatility.
Answer: C
Diff: 1
Question Status: Revised

13) Which of the following is a true statement about diversification?
A) It will increase your overall risk.
B) It will increase your volatility.
C) It will decrease the number of investments in your portfolio.
D) It will increase your chances of obtaining your financial goals.
Answer: D
Diff: 1
Question Status: Previous edition

14) Which of the following would **not** be a good method of asset allocation?
A) Restrict your portfolio to stocks
B) Include bonds
C) Include real estate
D) Include mutual funds
Answer: A
Diff: 1
Question Status: Previous edition

15) A portfolio can reduce risk when its
A) investments do not move in tandem.
B) investments move in tandem.
C) returns of individual investments are similar.
D) investments are from similar industries.
Answer: A
Diff: 2
Question Status: Previous edition

16) Proper asset allocation can
A) increase your wealth.
B) decrease your assets.
C) increase your dividend income and decrease your interest income.
D) increase your expenses.
Answer: A
Diff: 2
Question Status: Previous edition

17) When you compile a portfolio of stocks, you should avoid including stocks that exhibit
A) a high negative correlation.
B) a high positive correlation.
C) no correlation.
D) an inverse correlation.
Answer: B
Diff: 2
Question Status: Revised

18) To reduce your risk, you should select stocks whose returns exhibit a ________ positive correlation rather than a ________ positive correlation.
A) high; high
B) low; high
C) high; low
D) low; low
Answer: B
Diff: 2
Question Status: Previous edition

19) A portfolio's risk is measured by its degree of volatility because the ________ volatile the returns, the ________ uncertain the future return on the portfolio.
A) more; more
B) more; less
C) less; more
D) None of the above.
Answer: A
Diff: 2
Question Status: Previous edition

20) The more ________ the returns of individual investments in a portfolio, the more ________ the portfolio's returns are over time.
A) similar; volatile
B) different; volatile
C) steady; unsteady
D) aggressive; predictable
Answer: A
Diff: 2
Question Status: Previous edition

21) During the financial crisis in 2008-2009, investors who were diversified across industries
A) experienced no losses.
B) experienced large gains.
C) experienced significant losses because most industries were suffering from weak economic conditions.
D) experienced losses in financial services companies but not in other industries.
Answer: C
Diff: 1
Question Status: New

22) In compiling a portfolio, which of the following should you **not** consider?
A) Investments that exhibit a high positive correlation
B) Investments whose values are not influenced by similar conditions
C) Negatively correlated investments
D) Investments whose reaction to economic conditions will not be similar
Answer: A
Diff: 2
Question Status: Previous edition

23) Diversifying among stocks based in countries outside the United States
A) makes your portfolio less vulnerable to conditions in the United States.
B) is too expensive to use as a means of diversification.
C) makes your portfolio's returns less volatile because foreign stocks are less volatile than U.S. stocks.
D) is too risky for individual investors to consider.
Answer: A
Diff: 2
Question Status: New

24) Proper risk-return management for a firm means that
A) the firm should take as few risks as possible.
B) the firm must determine an appropriate trade-off between risk and return.
C) the firm should earn the highest return possible.
D) the firm should value future profits more highly than current profits.
Answer: B
Diff: 2
Question Status: Revised

25) The stocks, bonds, and mutual funds that an investor owns comprise his/her ________.
Answer: portfolio
Diff: 1
Question Status: Previous edition

Use the following two columns of items to answer the matching questions below:

A) a property of stocks that behave in a dissimilar manner
B) allocating money across financial assets
C) a set of multiple investments in different assets
D) a property of stocks that behave in a similar manner

26) portfolio
Diff: 1
Question Status: New

27) negative correlation
Diff: 1
Question Status: New

28) positive correlation
Diff: 1
Question Status: New

29) asset allocation
Diff: 1
Question Status: New

Answers: 26) C 27) A 28) D 29) B

30) Asset allocation uses what to reduce your risk from investing?
Answer: Diversification
Diff: 1
Question Status: Previous edition

31) If you are trying to adequately diversify your portfolio, you would want to avoid investing in stocks that were
A) highly negatively correlated.
B) not at all correlated.
C) highly positively correlated.
D) in different regions of the world.
Answer: C
Diff: 2
Question Status: New

32) The objective of diversification in an investment portfolio is
A) to make sure you do not have all your eggs in one basket.
B) to eliminate non-systematic or company specific risk.
C) to eliminate systematic portfolio risk.
D) to hold a lot of strong growth stocks.
Answer: B
Diff: 3
Question Status: New

33) Investing in Coke and Pepsico would be an example of
A) highly correlated stocks.
B) investing in stocks that were not correlated.
C) diversifying by investing in both rather than one or the other.
D) investing in international growth stocks.
Answer: A
Diff: 2
Question Status: New

18.2 Strategies for Diversifying

1) Common stock diversification strategies include diversifying among stocks across industries and among stocks across countries.
Answer: TRUE
Diff: 1
Question Status: Previous edition

2) Diversification is especially beneficial during periods where the stock market conditions are generally poor.
Answer: TRUE
Diff: 1
Question Status: Previous edition

3) Diversification among stocks in different industries will usually avoid fluctuations in stock values due to general economic conditions.
Answer: FALSE
Diff: 1
Question Status: Revised

4) Because foreign stocks can produce such high returns, many investment advisers recommend that you invest about 45% of your portfolio in these stocks.
Answer: FALSE
Diff: 1
Question Status: Previous edition

5) Stocks from outside the United States have about the same volatility as those from U.S. markets.
Answer: FALSE
Diff: 2
Question Status: Revised

6) When investing outside the United States, stocks are typically ________ U.S.-based stocks.
A) as volatile as
B) less volatile than
C) more volatile than
D) more stable than
Answer: C
Diff: 2
Question Status: Previous edition

7) Stocks in developing countries are generally ________ stocks in developed countries.
A) as volatile as
B) more volatile than
C) less volatile than
D) more stable than
Answer: B
Diff: 1
Question Status: Previous edition

8) According to the text, many investment advisors recommend ________% of foreign stocks for a diversified portfolio.
A) 0
B) 10
C) 20
D) 30
Answer: C
Diff: 2
Question Status: Revised

9) If your portfolio consists of 100 shares of Facebook, 100 shares of Twitter, and 100 shares of Google, which of the following statements would be true of your portfolio?
A) It is well diversified by industry.
B) It is well diversified by type of asset.
C) It has poor diversification.
D) It has more diversification than is necessary.
Answer: C
Diff: 1
Question Status: Revised

10) To which of the following markets would an investment adviser recommend you allocate approximately 80% of your money if you wanted to maintain a relatively low degree of risk?
A) European stocks
B) Asian stocks
C) U.S. stocks
D) Latin American stocks
Answer: C
Diff: 1
Question Status: Revised

11) Name two ways to diversify common stock.
Answer: Across industries and countries.
Diff: 1
Question Status: Previous edition

12) Which of the following pairs of stocks seem to offer the most diversification benefits?
A) Exxon - Consolidated Coal
B) Exxon - Tesla
C) Netflix - Merck Pharmaceuticals
D) Not enough information to accurately judge since correlation coefficients are not provided.
Answer: D
Diff: 3
Question Status: New

13) When two companies' profits tend to move in opposite directions in response to changing economic factors, the companies are likely
A) negatively correlated.
B) not correlated.
C) unrelated in industry sector.
D) in different regions of the world.
Answer: A
Diff: 2
Question Status: New

14) Which of the following do **not** belong in a well diversified portfolio?
A) Global equities
B) Bonds
C) Precious metals like gold or silver
D) All of the above can be present in a well diversified portfolio.
Answer: D
Diff: 1
Question Status: New

18.3 Asset Allocation Strategies

1) In reality, many stocks are influenced by the same conditions as the stock market overall, so diversification by investing only in stocks is limited.
Answer: TRUE
Diff: 1
Question Status: Previous edition

2) Asset allocation should be restricted to stocks because they have the highest potential returns.
Answer: FALSE
Diff: 1
Question Status: Previous edition

3) The returns from investing in stocks and from investing in bonds are not highly correlated.
Answer: TRUE
Diff: 1
Question Status: Previous edition

4) Bond prices are inversely related to interest rates and are not directly influenced by stock market conditions.
Answer: TRUE
Diff: 2
Question Status: Previous edition

5) As you allocate more of your investment portfolio to bonds, you reduce your exposure to interest rate risk, but increase your exposure to market risk.
Answer: FALSE
Diff: 2
Question Status: Previous edition

6) In general, the larger the proportion of your portfolio that is allocated to bonds, the lower will be your portfolio's overall risk.
Answer: TRUE
Diff: 1
Question Status: Previous edition

7) In order to add real estate to your investment portfolio, you may buy houses or other real estate directly or you may purchase real estate investment trusts (REITs).
Answer: TRUE
Diff: 1
Question Status: Previous edition

8) Mortgage REITs invest in mortgage loans, while equity REITs invest in real estate stocks or other equities.
Answer: FALSE
Diff: 2
Question Status: Previous edition

9) One way to reduce your diversification costs is to invest in various mutual funds.
Answer: TRUE
Diff: 1
Question Status: Previous edition

10) Call options are the right to buy stock and put options are the right to sell stock, but both types of options can be either bought or sold.
Answer: TRUE
Diff: 2
Question Status: Previous edition

11) The price you pay when purchasing an option is referred to as an advance.
Answer: FALSE
Diff: 1
Question Status: Previous edition

12) The greater the proportion of stocks to bonds in your portfolio, the greater the ________ risk.
A) interest rate
B) reinvestment
C) inflation
D) market
Answer: D
Diff: 1
Question Status: Previous edition

13) ________ risk is the risk that a stock is susceptible to poor performance due to weak stock market conditions.
A) Business
B) Market
C) Default
D) Management
Answer: B
Diff: 1
Question Status: Previous edition

14) During the financial crisis in 2008-2009, General Electric's share price dropped significantly. This was because of the
A) business risk.
B) market risk.
C) exchange risk.
D) interest rate risk.
Answer: B
Diff: 1
Question Status: Revised

15) Stock prices are influenced the most by
A) general market conditions.
B) the price of bonds.
C) interest rates.
D) inflation.
Answer: A
Diff: 2
Question Status: Previous edition

16) If stock prices overall decline in a given month, a well-diversified portfolio will likely experience
A) a decline.
B) no change.
C) a gain.
D) an unrelated change.
Answer: A
Diff: 1
Question Status: Previous edition

17) In reality, many stocks are influenced by ________ the stock market overall.
A) different conditions than
B) the same conditions as
C) other conditions than
D) unrelated conditions to
Answer: B
Diff: 1
Question Status: Previous edition

18) In a portfolio, stocks and bonds are
A) different in risk and return.
B) not highly correlated.
C) highly correlated.
D) Both A and B are correct
Answer: D
Diff: 1
Question Status: Previous edition

19) Bond
A) prices are positively related to interest rates.
B) prices are not directly influenced by stock market conditions.
C) returns are usually higher than stock returns.
D) Both A and B are correct
Answer: B
Diff: 2
Question Status: Revised

20) In general, the ________ the proportion of your portfolio that is allocated to bonds, the ________ will be your portfolio's overall risk.
A) larger; lower
B) smaller; lower
C) larger; higher
D) None of the above.
Answer: A
Diff: 1
Question Status: Previous edition

21) As you allocate more of your investment portfolio to bonds, you reduce your exposure to ________ risk, but increase your exposure to ________.
A) interest rate; business risk
B) business; default risk
C) market; interest rate risk
D) default; liquidity risk
Answer: C
Diff: 2
Question Status: Revised

22) ________ increase risk while ________ decrease risk in a portfolio.
A) Stocks; bonds
B) Bonds; mutual funds
C) Bonds; REITs
D) Mutual funds; stocks
Answer: A
Diff: 1
Question Status: Previous edition

23) An alternative to purchasing real estate directly and finding renters is investing in a
A) management rental company.
B) real estate investment trust.
C) condominium.
D) townhouse.
Answer: B
Diff: 1
Question Status: Previous edition

24) REITs are
A) similar to open-end mutual funds.
B) not traded on stock exchanges.
C) pooled funds that invest in real estate.
D) purchased directly from the company.
Answer: C
Diff: 1
Question Status: Previous edition

25) ________ REITs invest money directly in properties.
A) Asset
B) Equity
C) Mortgage
D) Property
Answer: B
Diff: 2
Question Status: Previous edition

26) REITs are classified according to how they invest their money. They include
A) equity REITs.
B) mortgage REITs.
C) mutual fund REITs.
D) Both A and B are correct.
Answer: D
Diff: 1
Question Status: Revised

27) Advantages of investing in REITs are that
A) shares can be purchased directly from the company.
B) the shareholders decide which properties to buy and sell.
C) the managers take care of maintenance.
D) the income is nontaxable.
Answer: C
Diff: 1
Question Status: Previous edition

28) Which of the following is not true of REITs?
A) They are an easy way to invest in real estate.
B) They are a way to diversify your portfolio.
C) They are a very low risk investment.
D) They commonly invest in commercial real estate.
Answer: C
Diff: 2
Question Status: Revised

29) Stock options
A) are traded on exchanges.
B) are relatively simple.
C) are less risky than stocks.
D) pay dividends.
Answer: A
Diff: 1
Question Status: Previous edition

30) If your portfolio currently consists of common stock in three companies, you could increase your diversification by all of the following **except**
A) selling one of the companies and putting the money in a bond.
B) selling one of the companies and putting the money in a REIT.
C) buying another stock.
D) selling one of the companies and putting the money in the other two.
Answer: D
Diff: 2
Question Status: Previous edition

31) If you are willing to accept only a moderate level of risk, you should invest in
A) savings accounts.
B) small-cap technology stocks.
C) a stock mutual funds.
D) Treasury bills.
Answer: C
Diff: 1
Question Status: Revised

32) A trust that invests in loans to help finance the development of properties is called a(n)
A) equity REIT.
B) real estate REIT
C) mortgage REIT.
D) option REIT.
Answer: C
Diff: 3
Question Status: Revised

33) Selling options on stock you already own
A) is illegal under federal law.
B) cannot benefit you financially.
C) is called a covered call strategy.
D) is not a very good idea.
Answer: C
Diff: 2
Question Status: Previous edition

34) An investor purchases 100 shares of stock for $20 per share. The stock has now risen in price to $44 per share. To cover potential losses, the investor purchases a put option for a premium of $300 with an exercise price of $42 per share. The stock falls to $28 per share, and the investor exercises the option and sells the shares at $42 per share. Ignoring brokerage commissions and taxes, what would be the investor's return from the stock?
A) 120%
B) 110%
C) 95%
D) 70%
Answer: C
Explanation: C)
100 shares × $42 = $4,200 (proceeds from exercising option)
100 shares × $20 =-$2,000 (cost of stock)
-$300 (cost of option)
$1,900 (net gain)/$2,000 = 95 percent
Diff: 3
Question Status: Revised

35) A call option on 100 shares of stock is purchased for a premium of $400. The current price of the stock is $42 per share, and the exercise price is $44 per share. The option is exercised when the stock is selling for $50 per share. What would be your return on the option if after exercising it, you immediately sold the stock at the market price of $50 per share? Ignore taxes and brokerage commissions.
A) 8%
B) 12%
C) 50%
D) 200%
Answer: C
Explanation: C)
100 shares × $50 = $5,000 proceeds from sale
100 shares × $44 =-$4,400 cost to purchase shares
-$400 cost of option
$200 gain/$400 = 50 percent
Diff: 2
Question Status: Revised

36) Ruth paid $300 for a call option on 100 shares of stock. The option gives her the right to buy the stock for $37 per share until April 1. On March 15, the stock rises to $42 per share, and Ruth exercises her option, purchases the stock and then sells it in the market. What is Ruth's return on the option?
A) 167%
B) 67%
C) 100%
D) 150%
Answer: B
Explanation: B)

Amount received from selling stock	($42 × 100 shares) =	$4,200
Amount paid for stock	($37 × 100 shares) =	-$3,700
Amount paid for premium		- $300
Net Gain	$200/$300 premium =	67%

Diff: 2
Question Status: Revised

37) The right to sell 100 shares of a specified stock at a specified price by a specified expiration date is called a
A) call option.
B) put option.
C) divestment option.
D) sell option.
Answer: B
Diff: 2
Question Status: Revised

38) Which of the following statements regarding put options is **not** true?
A) You buy a put option when you expect the stock's price to increase.
B) You place an order for a put option in the same way you place an order for a call option.
C) Put options have an expiration date.
D) Put options allow an investor to lock in a price.
Answer: A
Diff: 2
Question Status: Previous edition

39) If a stock option is never exercised, the return on investment generated is
A) 100%.
B) 0%.
C) -100%.
D) Not enough information given to determine.
Answer: C
Diff: 2
Question Status: Previous edition

40) Which of the following asset allocation strategies subjects you to relatively high risk and high return?
A) 60% U.S. stocks, 30% real estate, 10% stocks in developing counties
B) 20% large U.S. stocks, 20% small U.S. stocks, 40% bonds, 20% CDs
C) 50% bonds, 25% CDs, 25% large U.S. stocks
D) 25% large U.S. stocks, 25% CDs, 10% real estate, 40% bonds
Answer: A
Diff: 2
Question Status: Revised

41) The purchasing of stocks in different industries, bonds, and several mutual funds would be a way to ________ your portfolio.
Answer: diversify
Diff: 1
Question Status: Previous edition

42) A(n) ________ allows an investor to invest in real estate without owning individual property.
Answer: real estate investment trust
Diff: 1
Question Status: Previous edition

43) A(n) ________ gives you the opportunity to purchase or sell stocks at a set price for a set period of time and is a very risky investments.
Answer: stock option
Diff: 1
Question Status: Revised

44) The price at which an option allows you to purchase or sell shares of stock is the ________ price.
Answer: exercise/strike
Explanation: *Appendix
Diff: 1
Question Status: Previous edition

Use the following two columns of items to answer the matching questions below:

A) stock's susceptibility to poor performance due to weak stock market conditions
B) an option to purchase or sell stocks under specified conditions
C) right to purchase 100 shares of a specific stock at a specific price by a specific date
D) REITs that invest money directly in properties
E) debt securities

45) stock option
Diff: 1
Question Status: New

46) equity REITs
Diff: 1
Question Status: New

47) call option
Diff: 1
Question Status: New

48) bonds
Diff: 1
Question Status: New

49) market risk
Diff: 1
Question Status: New

Answers: 45) B 46) D 47) C 48) E 49) A

50) An investor purchases a call option in a stock that is currently selling for $50 per share on January 3, 2016. He pays $6 per share for the option with an exercise price of $57 and an expiration date of April 17, 2016. On April 16, 2016 the stock is selling for $58 and the investor exercises the option and immediately sells the stock. How much total gain or loss did the investor realize?
A) - $500
B) $100
C) Breakeven
D) $700
Answer: A
Diff: 1
Question Status: New

51) An investor purchases a call option for $5 per share in a stock currently selling for $24 per share. The exercise price is $30 per share. On the day the option expires, the stock is selling for $29 per share. What will the investor do? What is the investor's total gain or loss?
A) Exercise the option; total gain $500
B) Allow the option to expire; total gain $500
C) Allow the option to expire; total loss $500
D) Exercise the option; total loss $100
Answer: C
Diff: 2
Question Status: New

18.4 Your Asset Allocation Decision

1) Most investors put a heavy emphasis on stocks at an early stage in life and gradually shift toward bonds or stocks of stable firms that pay high dividends later in life.
Answer: TRUE
Diff: 1
Question Status: Previous edition

2) Investors in the early stages of their career path with the need for safety and liquidity should consider money market investments.
Answer: TRUE
Diff: 2
Question Status: Revised

3) Your asset allocation should **not** be influenced by
A) your risk tolerance.
B) economic conditions.
C) religion.
D) your age.
Answer: C
Diff: 2
Question Status: Previous edition

4) Asset allocation is
A) a personal and a financial decision.
B) objective.
C) the same for most people.
D) an easy and inexpensive thing to do.
Answer: A
Diff: 1
Question Status: Previous edition

5) Your asset allocation decision should **not** consider
A) your stage in life.
B) your degree of risk tolerance.
C) your expectations of economic conditions.
D) past economic conditions.
Answer: D
Diff: 1
Question Status: Previous edition

6) Investors who are 30 to 50 years old tend to focus their allocation on ________ because they can afford the risk.
A) life insurance
B) stocks
C) bonds
D) a house
Answer: B
Diff: 1
Question Status: Previous edition

7) As you near retirement, you should allocate a substantial portion of your portfolio to ________ to reduce volatility.
A) stocks
B) bonds
C) real estate
D) gold
Answer: B
Diff: 1
Question Status: Previous edition

8) If you find yourself checking the prices of stocks in your portfolio on an hourly basis and you are not a day trader, the most likely cause is
A) the market risk of your stocks.
B) the business risk of the management of your companies.
C) the low risk tolerance you have to owning stock.
D) the political risk of what Congress might do.
Answer: C
Diff: 2
Question Status: Previous edition

9) If you anticipate strong economic market conditions, you may want to
A) shift more funds to bonds.
B) shift more funds to stocks.
C) allocate more to cash.
D) shift more funds to bond mutual funds.
Answer: B
Diff: 2
Question Status: Previous edition

10) Over time, you should change the composition of your investment portfolio in response to change in your
A) market expectations.
B) investment goals.
C) life circumstances.
D) All of the above.
Answer: D
Diff: 1
Question Status: Previous edition

11) Individuals in an early stage of their careers can take ________ investment risk than those in the retirement stage.
A) less
B) greater
C) equal
D) reduced
Answer: B
Diff: 1
Question Status: Previous edition

12) If you are unwilling to take much risk, you should focus on a(n) ________ investment strategy.
A) aggressive
B) potentially high-return
C) moderate
D) conservative
Answer: D
Diff: 1
Question Status: Previous edition

13) List two considerations that affect your asset allocation decision.
Answer: Your stage in life, your degree of risk tolerance, and your expectations of economic conditions are possible answers.
Diff: 1
Question Status: Previous edition

14) A good asset allocation plan changes over time. How does it change from mid-life to retirement?
Answer: The plan should move to a conservative approach with more fixed investments and less risk.
Diff: 1
Question Status: Revised

15) As an investor nears retirement, they should begin rotating out of ________ stocks and rotating into ________ stocks, ________ stocks, and ________.
A) precious metal; growth; oil; bonds
B) high risk growth; income; preferred; bonds
C) high risk growth; global; international; precious metals
D) income; preferred; global; real estate
Answer: B
Diff: 3
Question Status: New

18.5 How Asset Allocation Fits Within Your Financial Plan

1) The first step in applying asset allocation to your personal financial plan is to ensure adequate liquidity.
Answer: TRUE
Diff: 1
Question Status: Previous edition

2) As you fit investing for the future into your personal financial plan, you should consider ________ before investing into long term assets like stocks and bonds.
A) your near term cash needs
B) your near term major expenses like home purchase
C) your willingness and tolerance to bear risk
D) All of the above should be considered
Answer: D
Diff: 1
Question Status: New