

NAME: _____

DATE: _____

PRE-QUIZ

Investing Basics & Asset Growth

What + Why: A quick, ungraded check on what you already know—your answers help shape the learning ahead. It's okay not to know—just give it your best shot.

Instructions:

1. Answer each question as best you can.
 2. Circle the best answer for each question.
 3. Submit it when you're done.
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1. How does having a longer investment time horizon typically affect an investor's asset allocation?
 - a. Having a longer investment time horizon requires keeping all funds in low-risk cash accounts.
 - b. Having a longer investment time horizon may allow the investor to take on more risk in pursuit of higher long-term growth potential.
 - c. Having a longer investment time horizon guarantees protection from market losses.
 - d. Having a longer investment time horizon guarantees higher returns.
 2. Why does diversification help manage investment risk?
 - a. Diversification guarantees that all investments will earn positive returns.
 - b. Diversification prevents losses during market downturns.
 - c. Diversification spreads investments across different assets so losses in one area may be offset by gains in another.
 - d. Diversification concentrates investments in a single asset class to maximize gains.

3. What distinguishes a real return from a nominal return?
 - a. A real return accounts for inflation, while a nominal return does not.
 - b. A nominal return adjusts for inflation, while a real return shows the original rate of return.
 - c. A real return reflects the original investment amount, while a nominal return reflects growth.
 - d. A nominal return always shows a higher profit than a real return.

4. What is a primary goal of active investing?
 - a. to outperform a market benchmark by selecting investments expected to perform better
 - b. to match the performance of a market benchmark as closely as possible
 - c. to reduce costs by minimizing buying and selling
 - d. to eliminate market risk through diversification