

Investor Quiz

This will help you determine what type of investor you are. If you have a partner, it may be interesting to take this separately and discuss your answers.

1) A month after you purchase a stock its share price rises by 50%.

You can't find out why it rose so dramatically, what would you do?

- a) Buy more, it may go higher.
- b) Hold on to what you have hoping for a further gain.
- c) Sell it immediately.

2) You inherit your mother's beach house, mortgage free. It has become run down but beach property continues to appreciate. You could rent it as is for \$1,200/month or renovate it and rent it for \$1,800. You would have to take out a small mortgage on the property to finance the renovations. You:

- a) Take out a mortgage and renovate the beach home.
- b) Rent it as it is.
- c) Sell it now, rental property seems like a hassle.

3) Your best friend wants to start a new business but she needs some capital for start-up costs. You think her new business idea has real potential. She wants you to invest \$40,000 (which you currently have), in return you would own 30% of her company. If everything goes as planned, you could get back 40 times your investment in three years, on the other hand four out of five small businesses fail within the first three years. What would you invest?

- a) Nothing at all and wish her well.

b) Tell her you will work with her and try to get financing through some conventional means. Invest no money.

c) Invest \$20,000

d) Invest the \$40,000 and if things seem to be going well tell her there is more where that came from.

4) You go to Las Vegas with friends and lose the \$300 you had allocated for gambling. What do you do?

a) Quit gambling and enjoy the other activities.

b) Decide \$100 more may just win your \$300 back.

c) Notice that one of your friends lost \$600 before winning it all back and allocate another \$300.

d) Throw caution to the wind, the more you lose the better the chances of winning!

5) An investment loses 14% of its value less than a month after you buy it. The fundamentals of the investment and your financial goals have not changed, you:

a) Hold on to the investment.

b) Sell it, you've worried enough.

c) Scrape up some money and buy more, if it looked good before it's a great buy now.

6) The small computer company you work for is raising money by selling stock to employees. If you buy the stock you will not be able to sell it until the company goes public. Management plans to go public in three years. You like the company and feel that if things continue as they are, and it goes public, the share price could be 20 to 30 times higher than what you would have to pay now. You are also aware that the

company could never go public making your shares worthless. How much would you invest?

- a) Nothing
- b) One to two month's salary
- c) Six month's salary
- d) Borrow as much money as you can, this is the opportunity of a lifetime.

7) You are on a TV game show and must decide whether to go on or take your \$10,000 winnings and quit, you:

- a) Take the money and run.
- b) Take a 20% chance of losing it all but winning \$50,000
- c) Take a 50% chance of losing it all but winning \$75,000
- d) Take a 90% chance of losing it all but winning \$100,000

8) You decide to invest in a stock fund for a long-term goal, you choose:

- a) A stock fund with a long stable performance track record, it is never the best performing or the worst. It invests in large well-known companies that pay dividends.
- b) A stock fund that is only three years old but has outperformed all similar funds by 8% for the past two years. It invests in small unknown companies.
- c) Both, you divide your money between the two funds.

9) What would you be more excited about:

- a) You win \$1,000 by being the 15th caller on a radio show.
- b) Your grandmother sends an unexpected gift of \$1,000.
- c) A risky \$100 investment you made last year returns \$1,100.

d) \$1,000 is a \$1,000 - you're excited, no matter how it came to you!

Total your score using the following point system:

- | | | | | |
|----|-------|-------|-------|-------|
| 1) | (a) 4 | (b) 3 | (c) 1 | |
| 2) | (a) 3 | (b) 2 | (c) 1 | |
| 3) | (a) 1 | (b) 2 | (c) 4 | (d) 9 |
| 4) | (a) 1 | (b) 2 | (c) 4 | (d) 9 |
| 5) | (a) 3 | (b) 1 | (c) 5 | |
| 6) | (a) 1 | (b) 2 | (c) 6 | (d) 8 |
| 7) | (a) 1 | (b) 4 | (c) 6 | (d) 9 |
| 8) | (a) 1 | (b) 9 | (c) 5 | |
| 9) | (a) 2 | (b) 1 | (c) 6 | (d) 1 |

30 points and over: Aggressive/Moderately Aggressive

The closer you are to 58 points the more adventuresome investor you are. You need to be careful that you don't fall into the trap of thinking that more risk automatically means a higher return.

13-29 points: Moderate

You are willing to take calculated risks with your investments and realize the need for diversity.

Below 13: Conservative/Moderately Conservative

You are conservative in your investment philosophy. If you don't develop some tolerance for investment risk your biggest risk will be inflation. As you develop the confidence or desire to take on more investment risk, go slow.