

CEE

Standard 5

INVESTING

GRADE 12
BENCHMARKS

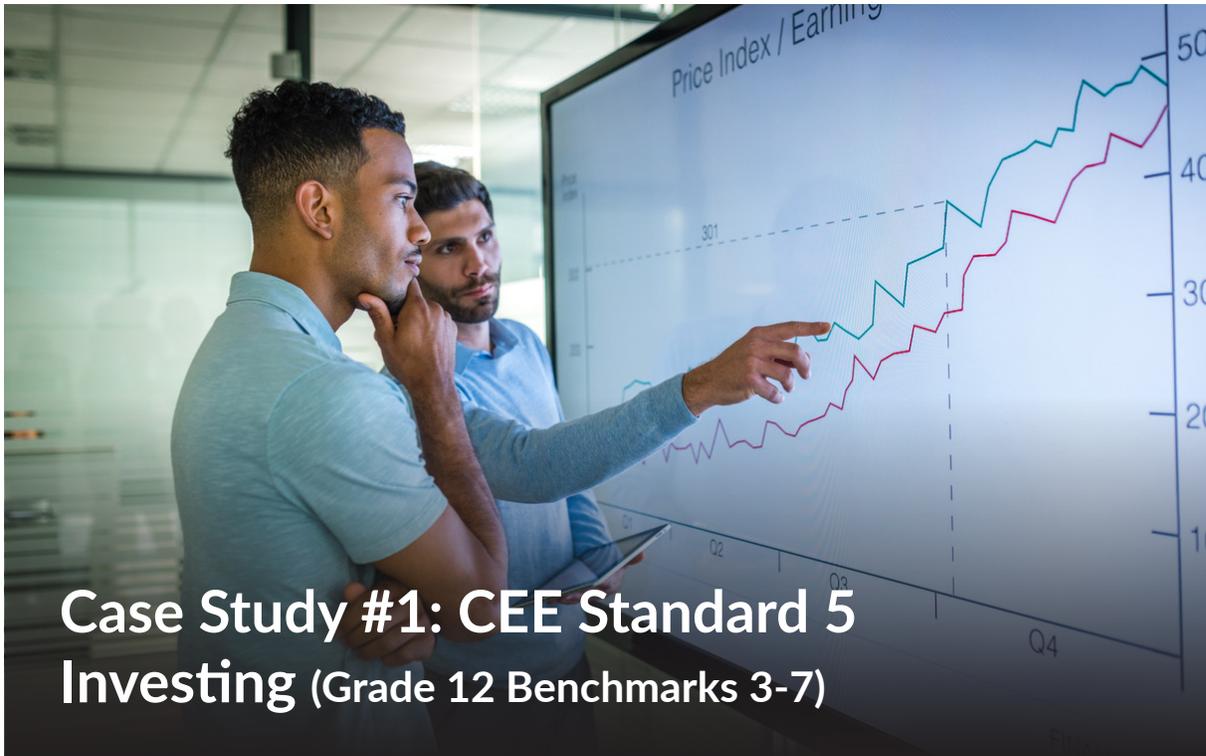


education

THE BENCHMARKS FOR GRADE 12 ARE GEARED TO HELPING STUDENTS UNDERSTAND THE RELEVANCE OF AND HOW TO CALCULATE REAL AND AFTER-TAX RATES OF RETURN AND HOW FINANCIAL MARKETS REACT TO CHANGES IN MARKET CONDITIONS AND INFORMATION.

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1. The real return on a financial investment is expressed as:
 - a. Rate of inflation minus nominal return
 - b. Nominal return minus rate of inflation
 - c. Nominal return rate minus rate of inflation minus APR
 - d. None of the above
2. The rate of return on financial investments can be decreased by which of the following:
 - a. Buying expenses
 - b. Selling expenses
 - c. Administrative holding costs
 - d. All of the above
3. Long-term investments are more likely to have a lower rate of return than short-term investments.
 - a. True
 - b. False
4. You can minimize your investment risk by:
 - a. Investing in only one type of stock
 - b. Investing in only one type of bond
 - c. Diversifying your investment portfolio
 - d. Only purchasing expensive securities
5. Which of the following factors probably won't play a major role in an investor's risk strategy:
 - a. Income
 - b. Family
 - c. Personality
 - d. Employer
6. The Securities and Exchange Commission (SEC) and the Federal Reserve regulate:
 - a. Financial markets
 - b. Financial schools
 - c. Credit card companies
 - d. Mortgage lenders



Scenario: Pedro wants to start investing to earn a greater return on his savings. He's considering mutual funds and government bonds. Later this week, he plans to meet with a financial adviser to discuss his options and asset-allocation strategy.

Based on this information, answer the questions below.

1. What are some of the administrative costs that could affect his rate of return?

2. If Pedro decides to go with strictly short-term investments, how will the rate of return differ from that of long-term investments?

3. Why will adopting a diversification strategy lower Pedro's investment risk?

4. As the rate of inflation increases, how will the value of Pedro's money be affected?

QUIZ ANSWER KEY

CEE Standard 5: Investing Grade 12 Benchmarks (1-13)

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