

Should I be managing my own investments?

Q.1) Do you pick individual stocks?

A. ☐ Sometimes

B. ☐ Rarely

C. ☒ Never

When you pick individual stocks, you're competing against hedge funds and institutions that spend millions of dollars on research that's not available to individual retail investors like you.

Q.2) Do you know the difference between a Traditional and Roth IRA?

A. ☐ Age limit to contribute

B. ☐ Amount you can contribute

C. ☒ Tax classification

Traditional IRAs are funded with pre-tax dollars. Roth IRAs are funded with post-tax dollars. This results in different tax treatments when you begin making withdrawals.

D. ☐ Employer sponsored vs Non-Employer sponsored

Q.3) If your account crashes 50% in value, what do you do?

A. ☐ Sell off all holdings immediately

B. ☐ Wait until the market bottoms, then sell

C. ☒ Hold positions and watch for a market rebound

D. ☐ Sell 50% of positions before market close

Over your lifetime of investing, you can expect 2-3 major market crashes of 50% or more. Generally, if you're managing your own investments, these are times to sit on your hands and do nothing: not to panic sell based on fear.

Q.4) What's the main difference between an ETF and mutual fund?

A. ☒ An ETF can be traded intraday and a mutual fund cannot

B. ☐ Only an ETF contains stocks

C. ☐ A mutual fund has net worth requirements

D. ☐ They're effectively the same

An exchange traded fund is a liquid investment vehicle that can be traded in and out of during the day. A mutual fund is a managed fund that can only be executed after market close.

Q.5) What investment strategy should the average person use for their investments?

- A. ☐ Active investing
- B. ☒ Passive investing
- C. ☐ Value investing
- D. ☐ Dividend investing

Everyone's risk tolerance and investment objectives are different, but in general, if you are not a dedicated financial professional, then you likely don't have the time, research, and/or expertise to trade or actively manage your investment account. Value investing and dividend investing are active investing strategies.

Q.6) What is the S&P 500?

- A. ☐ A racetrack in Indiana
- B. ☒ An index of the largest publicly traded companies in the US
- C. ☐ An index of all public and private companies in the US
- D. ☐ An index of all publicly traded tech companies in the US

Q.7) What is the historical return of the S&P 500?

- A. ☐ 15%
- B. ☐ 5%
- C. ☒ 10%
- D. ☐ 25%

Q.8) Which should you invest in first?

- A. ☐ Brokerage Account
- B. ☐ Real Estate
- C. ☐ Precious Metals
- D. ☒ 401K

Life circumstances differ for everyone but for most people who have a day job the tax benefits of a 401K and the potential employer match make contributing to this type of account preferable. Always consult with an investment adviser or tax professional before making any decisions.

A brokerage account is subject to capital gains tax. Real estate and precious metals require expertise and time to trade in and out of that most retail investors do not have.