**LWB\_Week 1\_Investing & PF\_Assignment**

*\*\*Highlight the correct answer in yellow*

1.1 Which of the following best describes the primary purpose of investing?

* A: To achieve financial growth over time.
* B: To save money in a piggy bank.
* C: To increase your monthly expenses.

1.2 How does compound interest contribute to financial growth?

* A: It reduces the risk associated with investing.
* B: It allows your investment to grow by earning interest on both the initial principal and the accumulated interest.
* C: It provides immediate high returns on investments.

1.3 Which statement aligns with Warren Buffett's philosophy on wealth accumulation?

* A: Wealth grows exponentially with time and patience.
* B: To build wealth, one should avoid saving and focus solely on spending.
* C: Immediate action without waiting is key to beating the market.

2.1 Which of the following is a key benefit of investing in terms of financial security?

* A: It guarantees zero risk in financial markets.
* B: It ensures immediate returns on all investments.
* C: It helps protect against inflation by growing your money.

2.2 How can investing help achieve long-term financial goals such as retirement planning?

* A: By reducing the need to save regularly.
* B: By allowing your investments to grow over time, aligning with long-term goals.
* C: By eliminating the need for insurance.

2.3 Considering the "Three Pillars of Investing," which factor is NOT one of them?

* A: Type of investment broker used.
* B: Time period of investment.
* C: Rate of return.

2.4 Why is it important to consider inflation when planning investments?

* A: Because inflation guarantees higher returns.
* B: Because inflation only affects non-invested cash.
* C: Because inflation reduces the purchasing power of money over time.

3.1 Which of the following is a characteristic of investing in equities?

* A: It guarantees a fixed return over time.
* B: It offers potential for high returns but comes with higher risk.
* C: It involves lending money to a government or corporation.

3.2 What distinguishes a mutual fund from other investment options?

* A: It pools money from multiple investors to invest in a diversified portfolio.
* B: It offers ownership and voting rights in a company.
* C: It involves buying and selling physical commodities.

3.3 How does investing in real estate primarily differ from investing in stocks?

* A: Real estate guarantees faster returns than stocks.
* B: Real estate investments are immune to market fluctuations.
* C: Real estate is generally less liquid and requires higher initial capital.

3.4 Which investment option involves lending money to an entity in exchange for periodic interest payments?

* A: Equities.
* B: Bonds.
* C: Mutual Funds.

4.1 What does the risk-return relationship in investing imply?

* A: Higher potential returns are generally associated with higher risk.
* B: Lower risk always results in higher returns.
* C: There is no relationship between risk and return.

4.2 Which type of investment typically offers lower risk and lower return?

* A: Stocks in volatile markets.
* B: Cryptocurrencies.
* C: Government bonds.

4.3 If an investor seeks high returns and is willing to accept high risk, which investment might they consider?

* A: Investing in emerging market equities.
* B: Placing funds in a savings account.
* C: Purchasing government treasury bills.

5.1 Which of the following is an example of market risk?

* A: A borrower defaulting on their loan repayment.
* B: The value of your stocks dropping due to an economic downturn.
* C: Difficulty in selling a property quickly.

5.2 What is credit risk in the context of investing?

* A: The risk of not being able to sell an asset quickly.
* B: The risk of losing money due to market volatility.
* C: The risk that a borrower will default on their repayment obligations.

5.3 Which scenario exemplifies liquidity risk?

* A: Struggling to find a buyer for a rare collectible item.
* B: A company's stock price declining due to poor earnings.
* C: A bond issuer failing to make interest payments.

5.4 Investing in which of the following is most susceptible to credit risk?

* A: Government treasury bonds.
* B: Corporate bonds from a company with low credit ratings.
* C: Blue-chip company stocks.

6.1 How should an investor with low risk tolerance approach investing?

* A: Invest heavily in high-risk stocks for higher returns.
* B: Avoid investing altogether to prevent any risk.
* C: Focus on low-risk investments such as bonds and savings accounts.

6.2 Why is it important to align your investments with your risk tolerance?

* A: It ensures that your investment strategy matches your comfort level with potential losses.
* B: It guarantees that your investments will never lose value.
* C: It maximizes returns regardless of market conditions.

6.3 For an investor nearing retirement with a low risk tolerance, which investment strategy is most appropriate?

* A: Investing primarily in high-growth tech stocks.
* B: Allocating a higher percentage of the portfolio to fixed-income securities.
* C: Placing all funds in cryptocurrency.

6.4 How can assessing personal risk tolerance benefit an investor?

* A: It ensures investments always yield high returns.
* B: It eliminates the need for diversification.
* C: It helps in crafting an investment portfolio that balances potential returns with comfort regarding potential losses.