Unit 6 Quiz — Investing & Wealth Building

Teen Money Independence · Lessons 6.1 – 6.7

Name:

Date:

PART 1 — MULTIPLE CHOICE (2 POINTS EACH)

Circle the best answer.

1. Using the Rule of 72, approximately how long does it take for an investment to double at an 8% annual return?

A. 6 years

B. 8 years

C. 9 years

D. 12 years

2. Lucy invested $2,000 at age 17 in a Roth IRA. Joseph invested $2,000 at age 27 in the same fund at the same return rate. At age 65, who has more money, assuming neither adds to the account?

A. Joseph — he had more time to research his investment

B. Lucy — her money compounded for 10 additional years

C. They have the same amount — the return rate is identical

D. Joseph — he was an adult when he invested and made a more informed choice

3. Fund A has a 0.04% expense ratio. Fund B has a 1.20% expense ratio. Both track the same index. Over 40 years, which statement is most accurate?

A. Fund B will outperform because active management adds value

B. Fund A will likely grow significantly more because its lower fees leave more return invested

C. Expense ratios only affect the first year of returns

D. They will produce identical outcomes because the index is the same

4. To contribute to a Roth IRA this year, you must have:

A. At least $1,000 in savings

B. Earned income (wages or self-employment income) during the tax year

C. Reached age 18 and filed at least one tax return

D. An existing traditional IRA already open

5. An online investment opportunity promises 300% returns in 90 days and asks you to recruit friends to join. This is almost certainly:

A. A legitimate high-risk hedge fund strategy

B. A Ponzi or pyramid scheme

C. A standard index fund with unusually high returns

D. A government bond with a variable rate

6. Bitcoin lost approximately 80% of its value between November 2021 and November 2022. A student who invested $500 at the peak would have had how much one year later?

A. $400

B. $250

C. $100

D. $0 — crypto has no floor

7. A social media influencer with 1 million followers posts: “I just bought $10,000 of CoinX — this is going to 100x. Get in now!” Which of the following best describes this situation?

A. A credible investment tip from someone with financial expertise

B. A classic pump-and-dump scheme where the influencer profits when followers buy

C. Guaranteed returns since social media requires truthful advertising

D. An SEC-regulated investment opportunity available to teen investors

PART 2 — SHORT ANSWER (5 POINTS EACH)

> 👥 All four friends receive a $2,000 windfall at age 17. Lucy opens a custodial Roth IRA and invests the full $2,000 in a total-market index fund (0.04% expense ratio). Joseph spends $1,200 and deposits $800 in checking — $430 remains by month's end. Alex splits it: $1,000 into a Roth IRA and $1,000 into his business for a pressure washer. Sofia adds it to her cash envelope collection — she now has $4,800 in cash at home earning nothing.

Use the scenario above to answer Question 2.

1. Explain in your own words why time matters more than the amount invested when building wealth. Use Lucy's Roth IRA contribution as your example.

2. Sofia has $4,800 in cash at home. Identify two specific financial costs of this decision — one related to inflation and one related to opportunity cost.

3. A friend says: "Trading my Bitcoin for Ethereum is not taxable because I never converted to cash." Is this correct? Explain why or why not, and describe what the correct tax treatment is.

PART 3 — MATH PROBLEM (10 POINTS)

1. Lucy invests $2,000 at age 17 in a Roth IRA earning 7% annually. Using the Rule of 72:

(a) Approximately how old will she be when the investment first doubles?

(b) Approximately how old when it doubles a second time?

(c) What is the approximate value after two doublings?

Show your work:

SCORE

Multiple Choice	Short Answer	Math	Total
/10	/10	/10	/30

Grader notes: