1. Both stocks and bonds give you equity in a company.
   True  False

2. A bond guarantees a return greater than your investment.
   True  False

3. The primary reason for diversifying your portfolio is:
   a. To increase profit
   b. To spread out payments
   c. To reduce risk
   d. To comply with SEC regulations

4. You do not have to pay income tax on a 401K.
   True  False

5. Both private and public companies must file their financial statements with the Securities and Exchange Commission (SEC).
   True  False
Self-paced Course - Test Your Knowledge
Week 2 Reading Module Quiz Answer Key

1. False. Only stocks give you equity in a company. A bond is a loan with a promise to repay at a certain interest rate.
2. False, although there is a “promise” of a return on investment, if the bond issuer cannot pay it is not kept. There is some risk involved in investing in bonds although they are generally thought to be safer than stocks. Bonds are rated for risk.
3. The primary reason for diversifying your portfolio is b, to reduce risk.
4. A 401K is a deferred compensation plan. The employee contributes pre-tax dollars but must pay taxes upon withdrawal and penalties if withdrawn before age 59.5 (in most cases.)
5. False. Only public companies are required to file financial statements with the SEC.

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