FINANCIAL LITERACY

Real Estate

What is Real Estate?

A. Only castles, mansions, historical buildings
B. Property consisting mainly of buildings and/or land
C. Only large extensions of land

SENIOR

BASIC

FINANCIAL LITERACY

Goal of retirement

What is the goal of retirement planning?

A. Hoarding as much money as possible
B. Financing consumption in retirement
C. Quitting your job as soon as possible

SENIOR

BASIC

FINANCIAL LITERACY

Saving for retirement

When you begin earning paycheques

A. When you begin earning paychecks
B. When you get a promotion
C. When you are planning to retire

SENIOR

BASIC

FINANCIAL LITERACY

Risky investment and retirement timeline

Is it a good plan to make risky investments as you get closer to retirement?

A. No
B. Yes
C. It's never a good plan, at any stage of life

SENIOR

BASIC

NUMERACY

Shortfall

You have estimated that, in retirement, your living expenses will be 75% of your current annual income of €50,000. If your pension provides €30,000 per year, you have to fund an annual shortfall of...

A. € 3,000
B. € 7,500
C. € 20,000

SENIOR

BASIC

NUMERACY

Annuities

Given your pension wealth, you can buy an annuity of €20,000 per year before tax, at age 65. With only half of your pension wealth...

A. your annual gross pension income will be more than €10,000
B. your annual gross pension will be less than €10,000
C. your annual gross pension will be €10,000

SENIOR

BASIC

NUMERACY

Percentages

You invested €1,000 in stocks two years ago. Their price declined by 10% in the first year and rose by 10% the next year. At the end of the two years...

A. you have lost money
B. you have broken even
C. you have made money

SENIOR

BASIC

FINANCIAL LITERACY

Pension money for family members

Can spouses, parents or grandparents contribute to a private pension saving plan for their spouses, children, grandchildren or persons they feel close to?

A. Only for spouses or after their children turn 16.
B. No
C. Yes, one can make transfer to another person's retirement account

SENIOR

BASIC

FINANCIAL LITERACY

Annuities

What is a pension annuity?

A. An annual discretionary bonus for the benefit of investors
B. The annual contribution to a pension fund
C. A way of providing a regular income after retirement

SENIOR

BASIC

ANSWER

A
you have lost money

WHY?

Price decline in first year: €1,000 x 10% = €1,000 x 0.1 = €100; value of stock after 1 year: €900
Price increase in second year €900 x 10% = €900 x 0.1 = €90; value of stock after 2 years: € 990. That is, less than €1,000.

ANSWER

C
Yes, one can make transfer to another person's retirement account

WHY?

Helping family members to set up and finance their pension plans can be a very wise choice. The sooner you start funding your pension plan the better. There may also be tax advantages. Moreover, some pension plans have provisions for cash advances for health care or housing.

ANSWER

C
A way of providing a regular income after retirement

WHY?

Annuities offer an income stream, possibly guaranteed, usually for retirees. They pay you a regular income for the rest of your life, no matter how long you live, providing insurance against longevity. Funded annuities are pre-financed by investors in an accumulation phase.

ANSWER

A
No

WHY?

We can take larger risks early in our retirement planning profile. It is better to make risky investments and riskier asset buys in your 30's - 40's and, as you get closer to retirement, pull back on the risk level because there might not be enough time to recover from the inevitable ups and downs and variability that comes with risky investments.

ANSWER

B
€ 7,500

WHY?

Estimated living expenses = €50,000 x 75% = €50,000 x 0.75 = €37,500
Annual shortfall = €37,500 - €30,000 = €7,500.
To cover the shortfall, you will need your own supplemental retirement program.

ANSWER

C
your annual gross pension will be €10,000

WHY?

The calculations are proportional (fixed costs not taken into account). A pension annuity is a product that pays you a regular income for the rest of your life, no matter how long you live. It therefore provides insurance against longevity: you will never run out of money, even if you live much longer than the average individual.

ANSWER

B
Property consisting mainly of buildings and/or land

WHY?

Real estate is the land along with any permanent improvements attached to the land, whether natural or man-made, including water, trees, minerals, buildings, homes, fences, and bridges.

ANSWER

B
Financing consumption in retirement

WHY?

Worrying about money should not impair your quality of life as you go past your employment years. To prevent a fall in consumption level in retirement, when people no longer work and do not earn an income, it is important to accumulate wealth during the working period (that is, spend less than what you earn).

ANSWER

A
When you begin earning paycheques

WHY?

The earlier you begin saving, the more time your money has to grow and the less money you'll need to put into your savings. Each year's gains can generate their own gains the next year - a powerful wealth-building mechanism known as compounding.

FINANCIAL LITERACY

Asset

What is an asset?

A. A resource that one owns
B. A debt one owes to a person, a company or an institution
C. A person, a company or an institution whom one cannot trust

SENIOR ? ? BASIC ? ?

FINANCIAL LITERACY

Liability

What is a liability?

A. An acceptable proposal
B. Whatever solution you can rely on
C. Something one owes to somebody else/to any third party

SENIOR ? ? BASIC ? ?

ANSWER

A

A resource that one owns

WHY?

An asset is a resource with economic value that an individual, corporation, or country owns or controls with the expectation that it will provide a future benefit. It can be thought of as something that, in the future, can generate cash flow, reduce expenses, or improve in some way one's economic situation.

ANSWER

C

Something one owes to somebody else/to any third party

WHY?

A liability (generally speaking) is something that is owed to somebody else. Liabilities are settled over time through the transfer of economic benefits including money, goods, or services. Your pension accumulated savings are an asset for you, but a liability for your pension fund.