

Are Americans Financially Illiterate?

1. According to information from the Federal Reserve Bank of St. Louis, all of the following statements about financial literacy are correct **EXCEPT**:
 - A. The Federal Reserve Bank of St. Louis defines financial literacy as understanding how to earn, spend, save, manage, and invest money.
 - B. Financial literacy is considered to be the precursor to better financial behavior.
 - C. Financial literacy is related to improvements in the macro economy.
 - D. Individuals with a high degree of financial literacy tend not to use the services of a financial advisor or other financial professional.

2. Which statement(s) about the financial literacy test developed by Lusardi and Mitchell is (are) correct?
 - I. The Lusardi/Mitchell test dominates the financial literacy landscape and has been used by at least 20 countries to measure financial literacy.
 - II. According to Lusardi and Mitchell, only 25 percent of all Americans are able to answer any of the financial literacy test questions correctly.
 - A. I only
 - B. II only
 - C. Both I and II
 - D. Neither I nor II

3. All of the following statements regarding the authors' research using the Lusardi/Mitchell financial literacy test are correct **EXCEPT**:
 - A. Individuals in the 65 to 74 age group have the highest financial literacy test scores.
 - B. The authors' data is consistent with other surveys about the financial literacy level of the American public.
 - C. Individuals in the 75 or older age group demonstrated the lowest level of financial literacy of any of the groups tested.
 - D. The authors reached the conclusion that the three questions developed by Lusardi and Mitchell may not be as reliable as expected and test results may not be universally valid.

A New Look at Family Caregiving: Insights for Financial Services Professionals

4. All of the following statements about caregivers, according to a recent study by the AARP Public Policy Institute, are correct **EXCEPT**:
 - A. One in four of the 40 million caregivers in the United States is part of the millennial generation.
 - B. Forty percent of Americans caring for a loved one are male.
 - C. Unlike baby boomers and older caregivers, millennial caregivers are not employed and provide, on average, 30 hours per week of personal and functional care.
 - D. Family caregivers provide \$470 billion in unpaid care annually.

5. All of the following statements about caregiving in the United States are correct **EXCEPT**:
 - A. The lesbian, gay, bisexual, and transgender (LGBT) community makes up about 9 percent of today's caregivers.
 - B. A Merrill Lynch study found that 42 percent of caregivers provide financial support along with more traditional caregiving.
 - C. An estimated 11.1 million caregivers are taking care of younger adults (individuals between the ages of 18 and 49) who have grown up with a disability or who have experienced an accident or premature illness.
 - D. Caregivers of young adults have been more proactive in seeking financial advice than caregivers of older adults.

6. What is the average yearly out-of-pocket amount spent by caregivers?
 - A. \$6,954
 - B. \$11,923
 - C. \$858
 - D. \$15,876

7. Which statement(s) about financial caregiving is (are) correct?
- I. Financial caregivers find themselves spending many hours monitoring and coordinating finances to make sure that their parent's money is safe and secure and to protect them from elder financial abuse.
 - II. The passage in 2018 of the Recognize, Assist, Include, Support and Engage (RAISE) Family Caregivers Act is an indication of recognition by the federal government that family caregivers are an integral part of the health and long-term care system in the United States.
- A. I only C. Both I and II
 B. II only D. Neither I nor II

The Demand for Health Insurance

8. All of the following statements about access to health insurance are correct **EXCEPT**:
- A. One of the reasons for the creation of the health insurance marketplace under the Affordable Care Act (ACA) was to allow informed consumers to choose the health insurance that best fits their needs.
 - B. Seventy-five percent of all private health insurance is purchased through employer-sponsored benefit programs.
 - C. Over 75 percent of small businesses offer one health insurance plan.
 - D. The goal of the ACA is to have individuals in all health insurance markets have access to similar health plans at similar premiums.
9. All of the following statements about the impact of premiums on the demand for health insurance are correct **EXCEPT**:
- A. Studies have found a 10 percent decrease in premiums will increase the demand for health insurance coverage by between 10 and 20 percent.
 - B. Younger individuals are more price-sensitive than older people when it comes to the cost of health insurance.
 - C. Narrow network health insurance plans dominate the individual market because they have significantly lower premiums.

- D. Studies have found that consumers are willing to pay significant amounts for networks that cover their usual source of care, but as long as their usual source of care is included, they are indifferent to the narrowness of the network.

Fee-Only Advisors and Insurance Agents—Perfect Together

10. According to the Bureau of Labor Statistics, what were the median wages for insurance agents in 2017?
- A. \$125,000 C. \$68,715
 B. \$97,432 D. \$49,710
11. According to the Bureau of Labor Statistics, what were the median wages for fee-only financial advisors in 2018?
- A. \$208,000 C. \$88,890
 B. \$125,000 D. \$41,590
12. Which statement(s) about challenges related to a career as an insurance agent or financial advisor is (are) correct?
- I. Technology offers do-it-yourself tools that increasingly squeeze registered investment advisor profit margins.
 - II. Attrition rates for new insurance agents can be as high as 80 percent because of the commission-driven nature of the business.
- A. I only C. Both I and II
 B. II only D. Neither I nor II
13. All of the following statements about professional relationships between fee-only financial advisors and commission-compensated insurance producers are correct **EXCEPT**:
- A. For a CFP designee or other fee-only financial advisor, there is great value in having relationships with trusted salespersons who will provide clients with access to needed financial products.
 - B. Recent changes to the CFP Standards of Conduct and the new SEC fiduciary rule impose fines and penalties on CFP designees who sell life insurance and annuities thus enhancing the value of a professional relationship with a trusted life insurance agent.

- C. Developing referrals from professionals, such as attorneys, accountants, and fee-only financial planners, can help insurance agents transition the sources of new business from family and friends to referrals that typically determine long-term success.
- D. Understanding the clear distinction of professional responsibilities from consultation to product placement will minimize conflicts of interest and confusion over duty of care to clients.

The Changing Face of America and the Demand for Financial Advisors

14. According to the Bureau of Labor Statistics, all of the following statements about financial advisors are correct **EXCEPT**:
- A. There has been significant growth in the number of financial advisors in the United States from 1999 to 2017.
 - B. Employment of personal financial advisors is expected to grow by 15 percent between 2016 and 2026.
 - C. The average age of financial advisors is around 62.
 - D. There has been a steady decline in growth rates in the number of financial advisors over the past 3 years.
15. True or False. According to existing research on the topic, those under age 35 are less likely to seek advice from a financial advisor.
- A. True
 - B. False
16. Which statement(s) about demographic trends that could impact the demand for financial advisors is (are) correct?
- I. The growing trend of grandparents having primary responsibility for at least one grandchild seems to be negatively impacting the demand for financial advisors.
 - II. The research regarding the impact of marriage trends on the demand for financial services indicates that married individuals are consistently more likely than unmarried individuals to use financial advisory services, such as debt counseling and tax planning.
- A. I only
 - B. II only
 - C. Both I and II
 - D. Neither I nor II
17. Which statement about the median wealth of various ethnicities is correct?
- A. In 2013, the median wealth of African-Americans was \$17,000.
 - B. Nationally, the median wealth of Latinxs is higher than the median wealth of African-Americans, according to 2013 data.
 - C. The median wealth of Latinxs is slightly lower than the average for Caucasians.
 - D. The median wealth for Caucasians is \$110,000.
18. All of the following statements about the changing face of America and the demand for financial advisors are correct **EXCEPT**:
- A. A key step for financial services firms that are trying to attract a diverse customer base is to hire and cultivate a diverse workforce.
 - B. Due to evidence that African-Americans are less likely to take on risk than relatively comparable Caucasians, financial advisors need to adapt their savings and investment strategies to effectively serve this demographic.
 - C. Higher birth rates among minorities and marriage across racial and ethnic lines have led to changes in the racial/ethnic makeup of the U.S. population and this has impacted the demand for financial services.
 - D. The decline in the number of financial advisors in states such as Delaware and New Jersey can be directly attributed to the low marriage rate in those states.

Risk Tolerance: Beware When Clients Are in a Bad Mood

19. All of the following statements about the concept of risk tolerance are correct **EXCEPT**:
- A. The concept of risk tolerance was first defined by H.B. Mayo in a 1968 paper published in the *Journal of Financial Economics*.
 - B. The concept of constant relative risk aversion (CRRA) is the thought that investors can be classified as risk-avoiding, risk-neutral, or risk-seeking based on a linear trade-off between risks and returns.
 - C. The idea that an investor's risk attitude can be measured in an emotion-free context is seldom true in practice.
 - D. Some researchers take the position that the way an investor conceptualizes his or her risk tolerance is based on a combination of rational and experiential subjective systems.
20. Which statement(s) about the relationship between investor mood and willingness to take risks is (are) correct?
- I. Under the affect infusion model (AIM), those that report being in a neutral or negative mood will exhibit a risk tolerance that is lower than those who report being in a good mood.
 - II. The mood maintenance hypothesis model (MMH) proposes that the relationship between mood and risk tolerance is negative.
- A. I only
 - B. II only
 - C. Both I and II
 - D. Neither I nor II
21. All of the following describe the sample group of participants in the authors' financial risk-taking study **EXCEPT**:
- A. Approximately 60 percent of the participants were female.
 - B. Seventy-five percent of the participants were currently employed.
 - C. Two percent of the participants were divorced.
 - D. The median personal income of participants was between \$45,000 and \$60,000.
22. All of the following statements accurately reflect the authors' findings in their exploratory study on financial risk tolerance **EXCEPT**:
- A. Females were found to exhibit lower risk-tolerance scores than males.
 - B. The inclusion of investing knowledge increased the level of explained variance in risk-tolerance scores to approximately 8.30 percent.
 - C. In the authors' study, mood was found to be positively and significantly associated with financial risk tolerance.
 - D. The risk-tolerance scores for those holding a bachelor's degree or with some postgraduate education were significantly higher than those who attained some college or less education.
23. True or False. According to the authors' research, individuals who reported being in a good mood exhibited higher risk-tolerance scores, holding other factors constant.
- A. True
 - B. False
24. Which statement(s) about the practice management implications for financial service professionals can be derived from the authors' research findings?
- I. The research indicates that a client's financial risk tolerance is a fixed psychological trait so there is generally no need to revisit risk tolerance over time.
 - II. Financial service professionals need to use caution when interpreting estimates of risk tolerance when a traditional CRRA measure is used in isolation.
- A. I only
 - B. II only
 - C. Both I and II
 - D. Neither I nor II

An Exploratory Study Identifying Who Worries and the Associated Stressors

25. According to the American Psychiatric Association, which statement about the national anxiety score is correct?
- A. The national anxiety score, on a 0-100 scale, jumped to 65 in 2017.
 - B. The national anxiety score has dropped over the last 5 years.
 - C. The national anxiety score, on a 0-100 scale, was 51 in 2017.
 - D. The national anxiety score increased by 10 points in 2017.
26. All of the following statements about the influence of worry on decision making are correct **EXCEPT**:
- A. Some researchers have found that a healthy level of worry may serve as a motivator.
 - B. Some studies have found that worry evokes tension and unpleasant feelings and prompts avoidance.
 - C. Worried investors tend to trade emotionally by immediately selling a stock both if it increases or decreases in value.
 - D. Worried investors tend to invest only in government bonds and blue chip stocks.
27. All of the following statements about people who worry about their finances are correct **EXCEPT**:
- A. The authors' research indicates that nearly one-fourth of the respondents experienced a manifestation of worry about their current financial condition.
 - B. The authors' research indicates that people who perceive themselves as financially knowledgeable are less likely to be worriers.
 - C. The results of the authors' study revealed that greater levels of investable assets increase the likelihood of a person being a worrier.
 - D. According to the authors' research, gender did not influence the likelihood of being a worrier.

28. Which statement(s) about financial stressors is (are) correct?
- I. Saving for retirement is the most commonly reported stressor among those surveyed.
 - II. Men reported experiencing stress related to saving for retirement, debt management, and saving for other purposes at statistically higher frequencies than their female counterparts.
- A. I only
 - B. II only
 - C. Both I and II
 - D. Neither I nor II

Co-opting Artificial Intelligence as an Opportunity for Financial Service Professionals

29. All of the following statements about the development and implementation of artificial intelligence (AI) in the financial services industry are correct **EXCEPT**:
- A. AI is transforming the financial service marketplace and how consumers interact with financial service companies.
 - B. AI tends to increase costs for the average consumer of financial services.
 - C. AI is increasing the array of product offerings in consumer financial services and assists in creating individually customized solutions for each client.
 - D. AI increases personalized tax-optimized investment strategies and wealth management techniques for clients who don't have the traditional levels of assets that would qualify for professional wealth management services.
30. All of the following statements about the impact of AI on careers in financial services are correct **EXCEPT**:
- A. A study by Autonomous Research estimates that the overall investment advising community will experience minor job losses by the year 2030 due to AI.
 - B. The banking sector is expected to experience significant job losses due to AI, including the loss of 485,000 teller positions.
 - C. AI will lead to the loss of 138,000 financial advisor positions by the year 2030.
 - D. AI likely will be an important factor in replacing roles handling low- to mid-level complexity tasks and processes.