Name________________________

ASSET ALLOCATION ASSESSMENT

MONEY CONFIDENT Kids®
Presented by T.RowePrice®

Show What You Know

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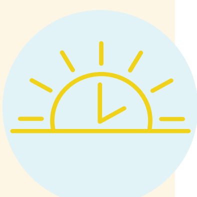
Having an asset allocation strategy that is in sync with your time horizon is key to achieving long-term goals.

1. If your child were heading off to college in a year, which is a short-term time horizon, would it be a good idea to invest the college fund 100% in stocks?

2. To reach long-term goals, why should a person invest in a mix of stocks and bonds and not just in a savings account?

3. Why is it a good idea to review your asset allocation as you get older?

4. Why would a younger person want to have a higher percentage of stocks in their **portfolio** than a person getting close to retirement age?



Answer Key: (1) No. Stocks go up and down. If the stock market had a major decline, the value of the fund might not be enough. For goals with a short-term time horizon, low-risk investments are best. (2) A savings account alone will not earn enough money to outpace the effects of inflation on purchasing power or enable one to reach long-term goals. Stocks offer the chance of higher returns but can also lose value. Bonds offer a steady flow of interest income but tend to have lower investment returns than stocks. (3) As people age and get closer to retirement, they usually want to increase their overall percentage of bonds. They should periodically check their allocation percentages to make sure they're close to their target. If, for example, stock values increase a lot, they might want to sell some stocks and buy more bonds. (4) With investments, risk means that there is a chance that the value of the investments will decline. As people approach retirement, there isn't as much time to recover from significant investment losses, and income from investments is an important source of income for retirees.