Name______________________________

DIVERSIFICATION ASSESSMENT

MONEY CONFIDENT Kids®

Presented by T.RowePrice®

Show What You Know

You don't want your financial future to be dependent on a single investment. You've learned the concept of diversification as a strategy to reduce risk of your investments losing value when negative events hurt a particular industry or company.

1. You have worked for a popular social media company for 15 years. During that time, you participated in the company's stock ownership plan, and the value of your account now totals $600,000. This represents 80% of the value of your total investments. The company is doing very well and expects to do well in the future. Are your investments diversified? Explain the risk in this scenario.

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2. What types of stocks should you consider owning to help you diversify your investments?

a.) Large, medium-sized, and small companies

b.) Domestic and international companies

c.) Companies in a variety of industries; for example, health care, energy, technology, etc.

d.) All of the above

3. Why might an investor want to own stock in companies located outside the U.S.?

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Answer key: See next page.

Name___________________________

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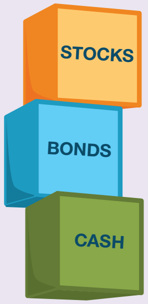

4. Why is it important to diversify your investments?

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5. Why should an investor consider buying a stock mutual fund rather than buying the stock of a single company?

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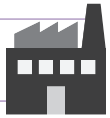

Answer Key: (1) The portfolio is not diversified, so some of the stock should be sold so that mutual funds in many types of companies can be purchased. (2) d. (3) To diversify. If the U.S. economy slows, economies of other countries might be picking up and the stocks of companies based overseas might be better performers. (4) To reduce risk. (5) If someone invests in one or even just a few stocks, then if those companies go bankrupt or lose value, the investor can lose a tremendous amount of money.