

MAP4C - Investment example questions

True/False

1. GICs are a very risky investment.
2. If I buy a stock in a company, I am now a part owner of that company.
3. If I buy three cars that counts as a real estate investment.
4. Stocks are a very safe investment.
5. If I buy a life insurance policy, the company will give my beneficiaries (family) money if I die in an accident.
6. The amount of money the life insurance company pays my family is equal to the amount I bought the policy for.
7. If I buy stocks, sometimes I might make a lot of money, but sometimes I might lose a lot of money.
8. When I buy a bond, the company or government will pay me money for a certain amount of time.
9. There is someone that manages a mutual fund – he or she decides what stocks to buy.
10. A mutual fund manager takes a small percentage of the profits of a mutual fund.
11. A GIC guarantees me a certain interest rate on my investments.
12. A GIC has a good chance to earn a lot of money.
13. The smartest thing I can do with my money is buy a lot of the stock – I got a hot tip!
14. A mutual fund is when many people pool their money, and buy many different stocks or bonds.
15. When I buy a life insurance policy, it is so that I can make a lot of money in the future.
16. The money in an RESP will be used when I retire.
17. An RRSP account gives me a grant whenever I invest money.
18. The government will give me a grant of 20% of the amount I invest in an RESP, up to a certain maximum.
19. I can only put a maximum of \$5500 per year into my TFSA.
20. The idea behind an RRSP is to pay a lower tax rate on capital gains, since my income will be less when I retire.

Calculations

1. If I invest \$2000 in an RESP, how much will the government give me?
2. My \$10000 investment grows to a total of \$16000. How much do I need to pay tax on?
3. My \$10000 investment grows to a total of \$16000. If I pay 40% tax, how much do I need to pay in tax?
4. Some stocks I own are in my TFSA, and they have increased in value by \$10000 when I sell them. If I pay 40% tax, how much money am I saving by having them in my TFSA?
5. I invested in my child's RESP, and the government gave me \$350. How much did I invest?
6. I invest \$4000 in my child's RESP. How much will the government give me in grants?
7. An investment in my RRSP increases in value by \$15000. If I withdraw it while working, I pay 40% tax. If I withdraw it while retired, I pay 15% tax. How much will I save by withdrawing it when I am retired?
8. I invest \$10000, and at some point in the future it is worth \$50000. If I pay 30% tax, how much tax do I pay?
9. I invest \$20000 and it grows to \$50000. If I pay 35% tax on all my capital gains (increase in value), how much of the \$50000 will be left over?
10. I invest \$5000 and it grows to \$40000. How much more tax will I pay if I sell the investment while I am working and pay 35% tax, compared to if I sell it when I am retired and pay 15% tax?