

2008 Retirement Income IQ Test

Questions and Answers

IQ Answers					
IQ Questions		1.	2.	3.	4.
1.	If an individual needed long term care today, what would be the average annual cost for a private room in a nursing home? (Select one.)	\$39,000/year	\$54,000/ year	\$63,000/year	\$78,000/year
2.	What percent of pre-retirement income do experts think retirees need to use as a benchmark for determining the amount of annual income needed in retirement? (Select one.)	20 - 30%	40 - 50%	80 - 90%	90 -100%
3.	An individual who reaches age 65 has a life expectancy of age 85. What are the chances he or she will live beyond that age? (Select one.)	10%	25%	50%	85%
4.	At what age would a person who is age 55 in 2008 be able to collect full Social Security benefits? (Select one.)	59	62	65	66
5.	Expenses for extended long-term care (e.g. nursing home care, assisted living, home care) are generally covered by: (Select one.)	Health Insurance	Medicare	Disability Insurance	None of the above
6.	To help ensure that an individual has enough money to make savings last his or her lifetime, experts are now recommending limiting the percent they withdraw from their savings each year to... (Select one.)	4%	7%	10%	15%
7.	How much do people older than age 65 spend annually on out-of-pocket costs for health care? (Select one.)	\$1,190	\$2,200	\$4,700	\$6,900
8.	Which of the following does not, on its own, pool risk to pay out a lifetime stream of monthly income? (Select one.)	Income Annuity	Social Security benefits	Mutual Funds	Traditional pension plan
9.	Which of the following is always true regarding income annuities? (Select one.)	They have account balances that grow over time.	They are not cost effective because the fees are higher than mutual funds	There is a specific age to withdraw money	It provides income that is guaranteed and cannot be outlived

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10.	What is the word "deferred" referring to in the phrase "deferred annuity?" (Select one.)	Investment	Income	Commission	Compensation
11.	What has the average annual rate of inflation been over the past twenty years? (Select one.)	3%	5%	10%	15%
12.	Which is not true about an income annuity? (Select one.)	Annuities are insurance products that can provide an income guarantee for life.	An annuity is a mutual fund which invests primarily in stocks.	An annuity can provide more guaranteed lifetime income than you could provide by investing the same assets on your own.	All annuities have benefit options to provide continuing income to you, or to you and your spouse.
13.	Suppose an individual retired at age 65 with savings of \$100,000. How much money could be withdrawn each month assuming annual earnings of 6% and that no savings, that is principal plus interest, remained after thirty years? (Select one.)	Approximately \$600/month	Approximately \$800/month	Approximately \$1,000/month	Approximately \$1,200/month
14.	What is the average monthly Social Security benefit paid in 2007 to a retired worker? (Select one.)	\$909	\$1,078	\$1,364	\$1,573
15.	What is the greatest financial risk facing retirees? (Select one.)	Inflation risk– The possibility that the value of assets or income will decrease as inflation shrinks the purchasing power of the dollar.	Longevity risk– The risk of outliving your retirement savings.	Investment risk– The risk that short-term market fluctuations will reduce the value of your investments.	Interest rate risk– The possibility of a reduction in the value of an investment resulting from a rise in interest rates.

To see the entire study go to www.maturemarketinstitute.com.