

A Better Investing Spot Quiz

The mailing of corporate annual reports and proxy statements is pretty much behind us for another year. Before they disappear into file cabinets and storage areas where they may not be found easily in the future, however, let's use them in a spot quiz to check on how your investment learning may be progressing.

Not to worry. We'll use the honor system, so only you will have the results. The quiz may not be relevant to your particular situation or interest, but if you're trying to learn more about investing, give it a try. You may be surprised at the results.

Better Investing Spot Quiz

How Is Your Investment Learning Coming Along?

(Here's a five-question quiz, with one bonus question. Use recent annual reports and proxy statements to check your answers.)

1. With regard to your personal wealth, what are your three largest equity holdings by current market value? If you invest primarily as a club member, what are the club's largest holdings? (Give yourself 5 points for each, 15 points maximum.)
2. Who is the CEO of each of the three companies? (Give yourself 5 points for each one you can name.)
3. For the company he or she heads, approximately how many shares does each CEO own? (Give yourself 5 points for each correct answer.)
4. How many of the latest annual reports and proxy statements for the three companies have you read? (Give yourself 5 points for each one, 30 points maximum.)
5. Did you or your club vote and return the proxy statements for these companies? (Give yourself 5 points for each one you did, 15 points maximum.)

Bonus Question: Do you have a current Stock Selection Guide (updated to reflect the latest full-year results) on the three companies? (Give yourself 10 points for each SSG, 30 points maximum.)

Scoring Your Results

90 points or more: Congratulations. You're a well-informed investor who is in solid control of building your wealth and knowledge of investing. The chances for investment success definitely are on your side.

75 points: Well done. The *BI* editors view your commitment to learning to be well above average. You are focusing on factors that are key to finding good companies at good prices — management and its commitment to growth.

60 points: Above average. We think you're above average in the effort you're making to be an educated investor. Keep up the good work. Consider spending more time studying the companies you invest in.

45 points: Average NAIC member commitment. Although we're admittedly subjective in this judgment, we think the average *BI* reader might be making this level of commitment to investment education. It represents a commitment of time and effort that's probably much greater than most individual investors are making in today's market, yet there's much more you can do and learn to increase your chances for investment success.

30 points or less: Although you may be trying to learn about investing and your score still may be higher than the average individual investor, be careful. You may also know enough to get yourself into trouble.

Tempting Shortcuts

What's happening in today's market with hedge funds is a perfect example. Because returns on many hedge funds (investment pools mainly for large investors that often take huge risks attempting to profit in both up and down markets) have outpaced stocks since the bear market began, it's easy to understand why investors are attracted to them. That could be a huge mistake. "Hedge funds could be the next big market blowup," said a member of *BI's* Editorial Advisory and Securities Review Committee. "They're lightly regulated, extremely risky and difficult even for professional investors to understand. Individuals should follow the rule, 'If you don't understand it, stay away.'"

Hedge funds are one of many tempting shortcuts to wealthbuilding. Shortcuts seldom work. The best way we know to build wealth is the hard way — to become an educated investor. Regardless of your experience level, take time to read this month's cover story and see whether there's a kernel or two in it that might help that educational process along. We confess the headline, "Ralph's Secrets to Successful Investing," is a bit tabloidish for *BI*, but it does express our desire to engage you, our reader, as much as possible in the learning process. Take inventory of your commitment of time to becoming an educated investor. Is it where you want it to be?