

## Overview for Questions #1-8 of 116

Question ID: 1434295

TOPIC: PRIVATE WEALTH MANAGEMENT

TOTAL POINT VALUE OF THIS QUESTION SET IS 18 POINTS

Helen Jackson has just won the Big Jackpot Lottery. She has chosen a lump-sum payout and, after taxes, will receive \$3.7 million. In seeking professional investment counsel, she has chosen John Medford, CFA.

Jackson is a 39-year-old single mother of three. Following her divorce last year, she won a court battle to obtain full custody of her children, ages 13, 10, and 8. She owes \$158,000 in legal bills and \$57,000 in credit card debt. Jackson lives with her children in a small rented house. She works at the local Super Box-Mart store as an assistant manager earning \$50,000 after-tax per year. She has been a valued employee for eight years and receives full health insurance benefits for herself and her children. Comparable health insurance is available for \$1,250 per month (after-tax) and it is estimated to increase in cost at the same rate as overall inflation. Jackson has no assets other than the lottery proceeds and has no other sources of income.

Jackson tells Medford that one of her goals is to improve her family's quality of life. She has found a home in a more upscale neighborhood at a total cost of \$700,000. Medford calculates that the family could live comfortably on \$125,000 of after-tax income per year, assuming they have no mortgage payments and no health insurance costs. As well, Jackson wants to ensure that her children get an education and other opportunities that she never had. She expects all three of her children to attend college. Additionally, she wants to have enough money left over for a comfortable retirement in about 25 years. Finally, Jackson wants to leave her position at Super Box-Mart and go to college to earn a degree herself.

Jackson tells Medford that she "never again wants to owe anyone anything," and that "the money must be managed in a way so that we never risk losing anything."

Medford also discusses the concept of human capital with Jackson and points out that if Jackson goes ahead and quits her job to attend college now, her total wealth is likely to increase significantly in the long run.

Two of the financial goals from Medford's discussions with Jackson include:

- Funding the education of Jackson's three children.
- Funding a comfortable retirement for Jackson.

Jackson's degree of risk tolerance regarding funding the education of her three children is relatively:

A) low.

B) high.

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### Question #2 of 116

Question ID: 1433972

**Justify** your response to Question 1 with *one* reason.

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### Question #3 of 116

Question ID: 1431455

Jackson's degree of risk tolerance regarding funding a comfortable retirement for herself is relatively:

A) low.

B) high.

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### Question #4 of 116

Question ID: 1433973

**Justify** your response to Question 3 with *one* reason.

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### Question #5 of 116

Question ID: 1434296

**Discuss** *one* issue relating to Jackson's *goal quantification* and/or Medford's role in doing so.

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**Question #6 of 116**

Question ID: 1434297

**Identify** *three* issues relating to Jackson's *goal prioritization* and/or Medford's role in doing so.

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**Question #7 of 116**

Question ID: 1434298

**Discuss** *other considerations* for the Jackson portfolio.

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**Question #8 of 116**

Question ID: 1433977

Many years later, Jackson has completed her college education and has started a consulting business to provide interior design services. Her business is doing quite well, although she considers it stressful and the rate of annual compensation is highly variable.

Applying the concepts of human and financial capital, **explain** how Jackson's new work situation would affect her allocation of investments between equity and fixed income.

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**Overview for Questions #9-18 of 116**

Question ID: 1434299

TOPIC: PORTFOLIO MANAGEMENT FOR INSTITUTIONAL INVESTORS

TOTAL POINT VALUE OF THIS QUESTION SET IS 16 POINTS

Heavy Equipment Manufacturing, Inc. (HEMI) is the leader in construction and mining equipment. The company has several major competitors, but maintains a leadership role through brand recognition and customer loyalty. Profits doubled in 2020 over the 2019 period and the firm's market capitalization now stands at \$46 billion. HEMI has both U.S. and non-U.S. defined-benefit pension plans covering substantially all of its