

Name _____

Investment Adventures: Exploring Capital Gains, Losses, and Holding Periods!

Multiple Choice Questions

1. What is a capital gain?
 - a) Selling an investment for less than you paid
 - b) Selling an investment for more than you paid
 - c) The total value of your investments
 - d) An investment that doesn't change in value

2. How are short-term and long-term capital gains taxed differently?
 - a) Short-term gains are taxed at lower rates.
 - b) Long-term gains are taxed at regular income tax rates.
 - c) Short-term gains are taxed at regular income tax rates, while long-term gains have preferential tax rates.
 - d) Both short-term and long-term gains are taxed at the same rate.

3. What is the holding period of an investment?
 - a) The length of time it takes to sell the investment
 - b) The time it takes for an investment to double in value
 - c) The length of time you own an investment before selling
 - d) The amount of time you spend researching an investment

4. Why are long-term capital gains often taxed at lower rates?
 - a) To discourage long-term investing
 - b) Because they are considered risky investments
 - c) To encourage long-term investing and provide tax benefits
 - d) Because long-term investments are always more profitable

5. What is the purpose of tax loss harvesting?
 - a) To increase your capital gains
 - b) To reduce your overall investment portfolio
 - c) To offset capital gains with capital losses and lower your tax liability
 - d) To avoid paying taxes on your investments

