

Name \_\_\_\_\_

**MULTIPLE CHOICE. Choose the one alternative that best completes the statement or answers the question.**

- 1) Which of the following is *not* a reason credit is marketed heavily to consumers in the United States? 1) \_\_\_\_\_  
A) The use of credit is not socially accepted in the United States.  
B) There is strong consumer demand for big-ticket items.  
C) Since 1920, credit laws in the United States have been relaxed in an attempt to create a mainstream alternative to loan sharks for the working class.  
D) The credit industry has become extremely profitable.
- 2) During the Great Depression, New Deal policymakers came up with mortgage (home loans) and consumer lending policies that convinced commercial banks that: 2) \_\_\_\_\_  
A) Consumer credit could be profitable  
B) Consumer credit was not a profitable industry  
C) They would not be able to compete with loan sharks in the industry of consumer lending  
D) Consumers would not be willing to use credit, since borrowing money for large purchases had not previously been an option for the middle class
- 3) When it comes to managing money, success is about \_\_\_\_\_% knowledge and \_\_\_\_\_% behavior. 3) \_\_\_\_\_  
A) 60, 40                      B) 20, 80                      C) 80, 20                      D) 50, 50
- 4) Which of the following best explains why students should learn about personal finance? 4) \_\_\_\_\_  
A) Learning to manage money will help you achieve a profitable career.  
B) Learning to manage money at this stage can eliminate financial mistakes and promote huge financial benefits for the future.  
C) Personal finance skills are better learned through trial and error.  
D) Personal finance skills are highly complex and require a great deal of time to learn.
- 5) Key components of financial planning include all of the following except: 5) \_\_\_\_\_  
A) Replace money myths with money truths  
B) Write out a detailed plan for accomplishing your goals  
C) Regularly monitor and reassess your financial plan  
D) Allow your financial planner to make all of your major money decisions
- 6) Why was the use of credit uncommon prior to 1917? 6) \_\_\_\_\_  
A) Laws prevented lenders from charging high interest rates.  
B) Borrowing money was generally not socially acceptable.  
C) Lending money to others was not profitable.  
D) All of the above.
- 7) When it comes to personal finance, the math is easy. What's challenging is managing your \_\_\_\_\_? 7) \_\_\_\_\_  
A) Behavior                      B) Bank account                      C) Friends                      D) Income

- 8) Which of the following statements *best* describes how Americans are being outsmarted by banks and other lenders? 8) \_\_\_\_\_
- A) Buying things on credit has become acceptable in our culture.
  - B) We are taught that we can buy happiness.
  - C) We are driven by consumerism.
  - D) Credit is marketed so well that we desire to have it while completely dismissing the fact that interest rates and fees continue to destroy our financial well-being.
- 9) Which of the following is *not* a factor in becoming money smart? 9) \_\_\_\_\_
- A) Manage your behavior with money
  - B) Have knowledge of basic math
  - C) Learn how to read your credit card statements
  - D) Learn the language of money
- 10) Which of the following statements *best* explains why income alone does not determine wealth? 10) \_\_\_\_\_
- A) Only people who are natural savers can become wealthy.
  - B) How much money a person makes does not dictate his or her spending and saving behavior.
  - C) Investing is the only factor that contributes to wealth building.
  - D) Income alone *does* determine a person's wealth.
- 11) Which of the following is a consequence of spending more than you make? 11) \_\_\_\_\_
- A) Missed opportunity to save and invest
  - B) Stress
  - C) A cycle of debt
  - D) All of the above
- 12) Which of the following is *not* a benefit of understanding your own money personality? 12) \_\_\_\_\_
- A) Once you know your money personality, you can develop a financial plan that works for you.
  - B) Recognizing who you are allows you the opportunity to grow and learn.
  - C) Knowing your money personality allows you to excuse excessive spending because it is simply part of your nature.
  - D) None of the above.
- 13) The widespread financial insecurity of Americans is primarily because: 13) \_\_\_\_\_
- A) The incomes of Americans are low
  - B) The saving rate of Americans is low and many borrow in order to spend more than they earn
  - C) Most Americans save a high proportion of their income
  - D) Government programs are unavailable to help people when they are disabled or experience unemployment
- 14) Personal financial success is primarily the result of: 14) \_\_\_\_\_
- A) Generous welfare and unemployment programs
  - B) Inheriting money from your parents
  - C) Winning the lottery
  - D) Managing your money behavior
- 15) Which of the following is *not* a true statement? 15) \_\_\_\_\_
- A) The credit industry in America has not changed much since 1917.
  - B) After 1970, consumer debt skyrocketed.
  - C) As banks made higher profits, they were willing to lend more money to consumers.
  - D) Americans *learned* to borrow amidst post-WWII prosperity.

- 16) At your age, a fully funded emergency fund should be: 16) \_\_\_\_\_  
 A) \$1,000                      B) \$100                      C) \$5,000                      D) \$500
- 17) Which of the following is *not* one of the three basic reasons for saving money? 17) \_\_\_\_\_  
 A) Emergency fund                      B) Large purchases  
 C) Build wealth                      D) Have money available to lend to friends
- 18) Instead of borrowing money for large purchases, you should set money aside in a \_\_\_\_\_ over 18) \_\_\_\_\_  
 time and pay with cash.  
 A) Mortgage fund                      B) Emergency fund  
 C) Sinking fund                      D) Credit card fund
- 19) Saving is about: 19) \_\_\_\_\_  
 A) Pride and greed                      B) Contentment and earning more money  
 C) Contentment and emotion                      D) Making more money and discipline
- 20) For which of the following should you save? 20) \_\_\_\_\_  
 A) Purchases                      B) Wealth building  
 C) Emergency fund                      D) All of the above
- 21) Using the sinking fund approach, how much do you have to save each month to buy a \$4,800 car 21) \_\_\_\_\_  
 one year from now?  
 A) \$500                      B) \$275                      C) \$300                      D) \$400
- 22) The saving habits of Ben and Arthur best illustrate which principle of saving? 22) \_\_\_\_\_  
 A) Rate of return matters.  
 B) The amount of the initial investment is the key.  
 C) The length of time money is invested matters.  
 D) Both A and C
- 23) Which of these is *not* a key to saving money? 23) \_\_\_\_\_  
 A) Focus                      B) Your income  
 C) Making saving a habit and a priority                      D) Discipline
- 24) Which of the following is *not* a reason your emergency fund should be kept in a separate savings 24) \_\_\_\_\_  
 account away from your spending money?  
 A) So that it is clear what money is only to be used for emergencies.  
 B) So that it is not too easy to access.  
 C) So that your emergency fund savings can earn a lot of interest.  
 D) So that you do not get your spending and saving money confused.
- 25) Which of the following steps is the First Foundation? 25) \_\_\_\_\_  
 A) Pay cash for your car                      B) Build wealth and give  
 C) Get out of debt                      D) Save a \$500 emergency fund

- 26) Why is having a fully funded emergency fund so important when it comes to your financial well-being? 26) \_\_\_\_\_
- A) The purpose of an emergency fund is to have money set aside for large purchases, like vacations.
  - B) As long as you have a good-paying job, you really don't need an emergency fund.
  - C) The purpose of an emergency fund is to set money aside for *unexpected* financial emergencies and to provide a sense of financial security.
  - D) None of the above
- 27) What does it mean to have a negative savings rate? 27) \_\_\_\_\_
- A) Having no savings at all
  - B) Spending more money than you make and acquiring debt
  - C) Saving for something that is a want instead of a need
  - D) Having a fully funded emergency fund
- 28) Which of the following is a reason that people don't save money? 28) \_\_\_\_\_
- A) They lack focus
  - B) They do not live on a budget
  - C) They lack discipline
  - D) All of the above
- 29) This principle suggests that a certain amount of money today has different buying power than the same amount of money in the future. This is due to both the opportunity to earn interest on the money and because inflation will drive prices up, thereby changing the "value" of the money. 29) \_\_\_\_\_
- A) Time value of money
  - B) Interest rate
  - C) Opportunity cost
  - D) Inflation
- 30) Why should interest earned not be a factor with your emergency fund? 30) \_\_\_\_\_
- A) Interest-bearing accounts at banks earn a high rate of interest, therefore, interest is not a concern.
  - B) Inflation can eat up the interest earned.
  - C) The emergency fund is not intended to grow wealth.
  - D) None of the above
- 31) Which of the following is a consequence of overdrawing your checking account? 31) \_\_\_\_\_
- A) Stress from money mismanagement
  - B) Bounced check fee from the store
  - C) Overdraft fee from your bank
  - D) All of the above
- 32) Doing a budget does not: 32) \_\_\_\_\_
- A) Make overspending more likely
  - B) Remove guilt and shame sometimes associated with a purchase
  - C) Make your money go further
  - D) Show if you are overspending in an area
- 33) Your monthly budget should include: 33) \_\_\_\_\_
- A) Discretionary expenses
  - B) Fixed expenses
  - C) Variable expenses
  - D) All of the above

- 34) Which of the following statements is false? 34) \_\_\_\_\_  
 A) The cash flow statement is reflective of what has already taken place.  
 B) A budget is meant to summarize the saving and spending that has taken place over the past year.  
 C) A budget is a written plan for saving and spending.  
 D) A cash flow statement summarizes all of the income and outgo (spending) over a certain time period.
- 35) Which of the following is something that a typical millionaire would do? 35) \_\_\_\_\_  
 A) Replace things that are not broken  
 B) Carry debt  
 C) Spend less money than he or she makes  
 D) Lease a new car
- 36) Rent is a: 36) \_\_\_\_\_  
 A) Fixed expense  
 B) Variable expense  
 C) Discretionary expense  
 D) Intermittent expense
- 37) Eating out is a: 37) \_\_\_\_\_  
 A) Fixed expense  
 B) Variable expense  
 C) Discretionary expense  
 D) Intermittent expense
- 38) Car repairs are a: 38) \_\_\_\_\_  
 A) Fixed expense  
 B) Variable expense  
 C) Discretionary expense  
 D) Intermittent expense
- 39) Groceries are a: 39) \_\_\_\_\_  
 A) Fixed expense  
 B) Variable expense  
 C) Discretionary expense  
 D) Intermittent expense
- 40) A written budget, if followed, removes \_\_\_\_\_ from your finances. 40) \_\_\_\_\_  
 A) Overspending  
 B) Guilt  
 C) Management by crisis  
 D) All of the above
- 41) The following are guidelines for budgeting with an irregular income except: 41) \_\_\_\_\_  
 A) Make a list of all of your expenses for the month ahead.  
 B) Budgeting with an irregular income is no different than budgeting with a regular income.  
 C) Prioritize the list in order of importance.  
 D) When your check comes in, spend your money all the way down the list.
- 42) Percentage of Americans living paycheck to paycheck: 42) \_\_\_\_\_  
 A) 50  
 B) 70  
 C) 25  
 D) 40
- 43) The zero-based budget is the best method of budgeting because: 43) \_\_\_\_\_  
 A) Sticking to a zero-based budget requires less discipline  
 B) The zero-based budget ensures that *every* dollar you make is assigned a specific purpose  
 C) This type of budget is less complicated than other types of budgets  
 D) A zero-based budget allows less money for *wants*

- 44) Which of the following is *not* a record-keeping feature you could expect from your bank? 44) \_\_\_\_\_  
 A) Customer service reconciles your account for you  
 B) A monthly account statement  
 C) An account register  
 D) A reconciliation sheet
- 45) Which of the following account records would have the most current balance? 45) \_\_\_\_\_  
 A) Your monthly bank statement  
 B) Your own account register  
 C) Account balance statement from the ATM  
 D) All of these records will have accurate account balances
- 46) Which of the following is not a factor in determining a FICO score? 46) \_\_\_\_\_  
 A) Using credit cards  
 B) Paying cash for all purchases  
 C) Taking out a mortgage on a house  
 D) Getting a personal loan from a bank
- 47) Which of the following is *not* a good idea for getting out of debt? 47) \_\_\_\_\_  
 A) Quit borrowing money  
 B) Borrow money from your parents to pay for the debt  
 C) Get a part-time job or work overtime  
 D) Sell something
- 48) Which of the following things cannot be done with a debit card but can be done with a credit card? 48) \_\_\_\_\_  
 A) Purchase an airline ticket  
 B) Rent a car  
 C) Purchase something online  
 D) Go into debt
- 49) What factors affect a credit score? 49) \_\_\_\_\_  
 A) Duration of debt  
 B) Type of debt  
 C) New debt  
 D) All of the above
- 50) Which of the following statements is false? 50) \_\_\_\_\_  
 A) Under FCRA, creditors must notify consumers if they deny credit based on a credit report file, and they must also tell the consumer which of the three credit bureaus provided the report.  
 B) The U.S. Congress enacted the Fair Credit Reporting Act to address concerns over consumer credit report accuracy, privacy and fairness.  
 C) Under FCRA, consumers are allowed to receive one free credit report every five years.  
 D) Prior to the FCRA, consumers were unable to challenge errors in their credit reports.
- 51) Which of the following is *not* a recommended step in the Drive Free method of purchasing a car? 51) \_\_\_\_\_  
 A) Explore new car dealerships for the best interest rate.  
 B) Place your savings in a mutual fund so that your money can make more money.  
 C) Plan your purchase in advance using the sinking fund method of saving.  
 D) Start with an inexpensive car and gradually move up in car value as your savings increases.
- 52) Which of the following is the most cost-effective option for purchasing a home? 52) \_\_\_\_\_  
 A) Get a 30-year mortgage with a 20% down payment.  
 B) Get a 30-year mortgage so that you can get the lowest possible payments.  
 C) Get a 15-year mortgage with a 5% down payment.  
 D) The most ideal way to buy a house is with 100% down; if that is not an option, you should get no more than a 15-year, fixed rate mortgage with a down payment of at least 10%.

- 53) Which of the following is *not* recommended in the debt snowball method of getting out of debt? 53) \_\_\_\_\_
- A) List your debts in order from smallest to largest balance and focus on paying the smallest debt off first.
  - B) Attack your debt with intensity.
  - C) Every time you pay off a debt, you add its old minimum payment to your next debt payment.
  - D) Every extra dollar you get should be thrown at the largest debt first.
- 54) What is paycheck garnishment? 54) \_\_\_\_\_
- A) A legal procedure for dealing with debt problems of individuals and businesses
  - B) A court-ordered attachment that allows a lender to take monies owed directly from a borrower's paycheck
  - C) Process of taking something back for failure to make payments
  - D) Process by which the holder of a mortgage sells the property of a homeowner who has fallen behind on payments
- 55) Which of the following best summarizes how the use of a credit card for purchases instead of cash can change one's spending behavior? 55) \_\_\_\_\_
- A) Studies show that consumers typically spend more when using credit as opposed to cash purchases.
  - B) People typically spend less when they know that they are earning credit card "rewards."
  - C) Studies show that there is no change in spending behavior whether a person uses cash or credit.
  - D) Spending behavior does not matter as long as you pay off the credit card balance each month.
- 56) Which of the following is *not* a credit myth? 56) \_\_\_\_\_
- A) Borrowing money can have serious consequences and prevent you from building wealth.
  - B) Debt is a tool and should be used to create prosperity.
  - C) The lottery and other forms of gambling will make you rich.
  - D) You have "arrived" financially once you get approved for a credit card.
- 57) If you do not have a FICO score, what factors will determine whether or not you qualify for a mortgage? 57) \_\_\_\_\_
- A) History of rental and utility payments
  - B) Amount of your down payment and employment history
  - C) You cannot get a mortgage without a credit history
  - D) A and B
- 58) A credit score is intended to measure: 58) \_\_\_\_\_
- A) Your income level
  - B) Your financial success
  - C) The risk of your not repaying debt
  - D) The amount of money you have in the bank
- 59) Which of the following is a sign that your identity may have been stolen? 59) \_\_\_\_\_
- A) A call from a collection agency about a debt you didn't incur
  - B) Bank and billing statements don't arrive on time
  - C) Your credit report shows accounts you didn't open
  - D) All of the above

- 60) Individual account information is removed from your credit report seven years after the last activity on the account, except for Chapter 7 bankruptcy, which stays on your credit report for: 60) \_\_\_\_\_  
 A) 5 years                      B) 10 years                      C) 20 years                      D) 1 year
- 61) The total estimated student loan debt outstanding (unpaid) is over: 61) \_\_\_\_\_  
 A) \$1 billion                      B) \$7 trillion                      C) \$1 trillion                      D) \$10 thousand
- 62) Which of the following is *not* a good option when it comes to paying for your education? 62) \_\_\_\_\_  
 A) Fill out the FAFSA                      B) Ask your parents to take out a loan  
 C) Plan ahead                      D) Get a part-time job
- 63) Which of the following are ways that you can invest in yourself? 63) \_\_\_\_\_  
 A) Surround yourself with people who have similar goals and ambitions as you  
 B) Find a mentor  
 C) Read books  
 D) All of the above
- 64) Which of the following statements is false? 64) \_\_\_\_\_  
 A) Our culture accepts student loan debt as normal and sometimes even refers to it as *good debt*.  
 B) Debt is owing anything to anyone for any reason.  
 C) A student loan is an award.  
 D) Millions of people can't afford to make their student loan payment every month.
- 65) Which of the following statements about college financial aid is false? 65) \_\_\_\_\_  
 A) The Free Application for Federal Student Aid (FAFSA) is the first step to receiving any kind of financial aid.  
 B) Grants are free money.  
 C) Scholarships are only for the highest academic achievers.  
 D) Many businesses have scholarships for employees' children.
- 66) You should visit your college's financial aid office if: 66) \_\_\_\_\_  
 A) A medical situation has come up  
 B) Your parents' financial situation has changed  
 C) You have any problems with the financial aid application process  
 D) All of the above
- 67) Which of the following statements is false? 67) \_\_\_\_\_  
 A) Research shows that students who work up to 20 hours a week have the highest grade point averages.  
 B) Students rarely drop out of college due to financial trouble.  
 C) Research shows that working more than 20 hours a week may affect your grades negatively.  
 D) On-campus jobs may pay you directly or pay toward your tuition bill.
- 68) Which of the following is *not* recommended when you are cash-flowing your college education? 68) \_\_\_\_\_  
 A) Work and save money over the summer months.  
 B) Attend an out-of-state school.  
 C) Live on a zero-based budget.  
 D) Make sure you have an emergency fund.



- 69) The average repayment period for a student loan is: 69) \_\_\_\_\_  
 A) 10 years                      B) 15 years                      C) 20 years                      D) 5 years
- 70) Which of the following statements is false? 70) \_\_\_\_\_  
 A) On-the-job training often combines a professional trainer, hands-on activities and formal classroom training.  
 B) Students who are looking to learn specific skills can look into free or low-cost certifications found online, at community colleges, or through government-funded programs.  
 C) An associate's degree is a two-year degree that can offer specialized training and a flexible schedule that allows you to work while you earn your degree.  
 D) All high-paying careers require a four-year college degree.
- 71) The Fourth Foundation is: 71) \_\_\_\_\_  
 A) Build wealth and give                      B) Build a \$500 emergency fund  
 C) Pay cash for your car                      D) Pay cash for college
- 72) Which of the following could be a negative consequence of taking out student loans? 72) \_\_\_\_\_  
 A) Having to delay investing and saving for your future because of student loan payments  
 B) Not having the freedom to be a stay-at-home parent because of student loan payments  
 C) Not having flexibility in your career options because of student loan payments  
 D) All of the above
- 73) Percentage of college students that graduate with student loans: 73) \_\_\_\_\_  
 A) 66%                      B) 90%                      C) 25%                      D) 30%
- 74) A wise college plan does *not* include: 74) \_\_\_\_\_  
 A) Shopping around for the most appropriate, low-cost academic option for your career choice  
 B) Creating a budget and starting to save now  
 C) Finding the most expensive, prestigious college so that you can impress future employers  
 D) Scoring well on the ACT or SAT
- 75) Which of the following is *not* one of the basics of budgeting? 75) \_\_\_\_\_  
 A) Make it a priority to give  
 B) Stick to your budget unless something unexpected happens  
 C) Live on less than you make  
 D) Pay yourself first by saving
- 76) Which of the following would not be a huge financial risk (and, therefore would not require insurance) if you had a full emergency fund of \$500 or more? 76) \_\_\_\_\_  
 A) Your identity gets stolen                      B) A car accident  
 C) A medical emergency                      D) You lose your cell phone
- 77) The time between the disabling event and the beginning of payments in your disability coverage is called: 77) \_\_\_\_\_  
 A) Out of pocket                      B) Stop gap  
 C) Elimination period                      D) Deductible
- 78) Life insurance policy for a specific period of time is called: 78) \_\_\_\_\_  
 A) Universal                      B) Level                      C) Whole life                      D) Term

- 79) The purpose of insurance is to: 79) \_\_\_\_\_  
 A) Develop a savings plan B) Transfer financial risk  
 C) Provide an investment opportunity D) All of the above
- 80) Which of the following is *not* a recommended way of lowering your car insurance premiums? 80) \_\_\_\_\_  
 A) Get good grades and take a driver education class  
 B) Drop your auto insurance altogether  
 C) Increase your deductible  
 D) Shop around
- 81) Which of the following types of insurance is *not* recommended for a young single adult? 81) \_\_\_\_\_  
 A) Health insurance B) Auto insurance  
 C) Life insurance D) Identity theft protection
- 82) Which of the following is *not* a recommended way to save on your health insurance premium? 82) \_\_\_\_\_  
 A) If you are young and healthy, you do not need health insurance.  
 B) Increase your deductible.  
 C) Increase your stop-loss or your maximum out-of-pocket expense.  
 D) See if a Health Savings Account would make sense for your situation.
- 83) A person becomes self-insured when: 83) \_\_\_\_\_  
 A) Everyone should have term life insurance regardless of age or financial well-being  
 B) They have no debt  
 C) Their kids are grown, they have no debt, and they have fully funded retirement  
 D) They own their own business
- 84) Which of the following is true? 84) \_\_\_\_\_  
 A) Any kind of duplicate insurance coverage is a bad idea.  
 B) Pet insurance is a good idea since pet emergencies can be very expensive.  
 C) You can never be too safe—there is no bad insurance.  
 D) Mortgage life insurance is necessary if you are a homeowner.
- 85) Which of the following statements about long-term care insurance is false? 85) \_\_\_\_\_  
 A) At least 69% of people over the age of 65 will require long-term care at some point.  
 B) You should not buy long-term care insurance until age 30.  
 C) A good long-term care policy will include in-home care.  
 D) Long-term care insurance is not the same as disability or short-term medical care.
- 86) Which of the following statements about disability insurance is false? 86) \_\_\_\_\_  
 A) Your coverage should be for 65% of your income.  
 B) After college, short-term disability should be covered by your emergency fund of three to six months' worth of expenses, staying out of debt, and having a money plan.  
 C) A longer elimination period will lower your premium cost.  
 D) Disability insurance is not necessary if you have a good health insurance policy.

- 87) Which of the following statements about life insurance is true? 87) \_\_\_\_\_
- A) There is no difference between term and cash value life insurance.
  - B) You will always need life insurance.
  - C) Term life insurance should be avoided because the policy will expire and it has no savings plan built into it.
  - D) Cash value insurance is normally for life and is more expensive than term life insurance because it funds a savings plan.
- 88) Which of the following is *not* a benefit of having a will? 88) \_\_\_\_\_
- A) Your will can be an expression of your personal values.
  - B) A will enables you to nominate the persons who will handle your estate or serve as guardians to your children, and it allows you to determine who will receive all the property you have accumulated over your lifetime.
  - C) You only need a will if you have a large estate.
  - D) A well-drafted will can allow your family to minimize death taxes and other costs that may drain your estate of assets.
- 89) Which of the following policies would be a duplicate coverage for your health insurance policy? 89) \_\_\_\_\_
- A) Auto insurance
  - B) Long-term care insurance
  - C) Cancer and hospital indemnity insurance
  - D) Disability insurance
- 90) You are involved in a two-car accident in which you are at fault. The other driver is injured and your insurance covers the medical expenses of the victim. This type of insurance coverage is called: 90) \_\_\_\_\_
- A) Liability
  - B) Comprehensive
  - C) Uninsured motorist protection
  - D) Collision