

You Saved Me Foundation Intro to Financial Literacy Course 101

1 A \$400 tax is placed on all sports cars and this increases the price of sports cars. The economic way of thinking suggests that:

- Fewer sports cars will be sold
- More sports cars will be sold
- The production of sports cars will cease to exist
- The production of sports cars will be more profitable

2 A 15-year mortgage typically requires higher monthly payments than a 30-year mortgage, but the total interest paid over the life of the loan will be less.

- True
 - False
-

3

A blue chip stock is the stock of a:

- New technology stock
 - A large well-known company
 - A defensive industry stock
 - Don't know
-

4

A budget is a record of:

- Profits and losses
 - Costs and benefits
 - Assets and liabilities
 - Income and expenses
-

5

A certificate of deposit (CD) is issued by:

- Banks
 - Corporations
 - U.S. government
 - Don't know
-

6

A company calls you and offers an investment opportunity with very high returns. All you have to do is recruit some of your friends who will also invest and soon your checks will start rolling in. This is a description of which type of investment fraud?

- Identity theft
 - A loan scam
 - Credit repair scam
 - A pyramid scheme
-

7 A company can be financed by issuing either shares or bonds. Which do you think is at greater risk for loss of principal for the investor?

- Shares of stock
 - Bonds
 - They are equally risky
 - I don't know the difference between shares and bonds
 - Do not know
 - Refuse to answer
-

8 A corporate debt instrument that is a promise to provide interest payments and to repay the principal on a specified date (maturity).

- Stock
 - Treasury bill
 - Bond
 - Don't know
-

9

A debit card and a direct deposit both involve:

- Selling and buying stocks in the marketplace
 - The securing of credit and payment of interest
 - Electronic transfers to or from your checking account
 - Transaction fees regardless of where the transaction occurred
-

10

A federal program to provide the elderly with some retirement income and to assist the minor children of a parent who has died is:

- Social Security
 - Food stamps
 - Medicare
 - Medicaid
-

11

A reward or penalty for how people behave is:

- A trade-off
 - An incentive
 - An opportunity cost
 - An economic want
-

12

A sales tax is a tax on:

- Income
 - Property
 - Investment
 - Consumption
-

13

A stock mutual fund combines the money of many investors to buy a variety of stocks.

- True
 - False
-

14 A store loaned \$500 to Sara to buy a TV. In one year, Sara repaid the \$500 plus a fee of \$50 to pay for the cost of borrowing the money. Which word best describes the \$50 fee?

- Interest
 - Credit
 - Debit
 - Tax
-

15 A thief obtains your card number and goes on an online shopping spree. Which of the following statements is true?

- The debit card number that was taken and the money spent in the shopping spree came directly from your checking account at the time of purchase
 - The credit card number that was taken and the money spent in the shopping spree came directly from your checking account at the time of purchase
 - The credit card number that was stolen was no good without your security PIN
 - The debit card bill is paid monthly and you were able to catch the transactions before any of your money was actually taken
-

16 A thief takes your credit card. You report the card missing, but the thief has already run up \$2,000 in bills. How much of the \$2,000 are you responsible for?

- Your liability is limited to \$50
 - Your liability depends on whether the unauthorized card user is caught
 - You are not liable for any of the \$2,000 because you reported the card stolen
 - You are liable for the entire \$2,000 because the card was issued in your name
-

17 A typical characteristic of entrepreneurs is that they:

- Like to work part time
 - Are willing to take risks
 - Would rather save than invest
 - Enjoy working under supervision
-

18

A wage is:

- A payment for goods and services
 - Profit from the sale of goods
 - Interest earned on savings
 - Income earned for work
-

19

A whole life insurance policy offers protection:

- For income when the policyholder is unable to work
 - During the lifetime of the insured and builds cash value
 - For a specified period of time and does not build cash value
 - That is based on the policy holder following a healthy lifestyle
-

20 About how many years would it take for \$1,000 to become \$2,000 if \$1,000 is deposited in a savings account with an interest rate of 7.2%?

- 7.2 years
 - 10 years
 - 14.4 years
 - 20 years
-

21 Amir wants to check his credit report. According to Amir's friends, there is a federal law that requires the three largest credit bureaus to provide one copy of consumers credit report for free each year. What is the name of the only website that is authorized by the federal government to provide you with a free copy of your credit report each year?

- www.creditkarma.com
 - www.ftc.gov
 - www.annualcreditreport.com
 - www.freecreditreport.com
-

22 Amy is receiving a tax credit of \$100 on her federal income tax form. How will this credit affect Amy's tax bill?

- Reduces the tax she owes the IRS by \$100
 - Reduces her taxable income by \$100
 - Increases her taxable income by \$100
 - Reduces her tax bracket by \$100
-

23 An annuity is a financial product that pays a lump sum when you die.

- True
 - False
-

24 An approach to finding out about job opportunities that consists of contact with friends and family members who might be able to connect you to a potential employer is called:

- Logrolling
 - Recruiting
 - Connecting
 - Networking
-

25 An employee works for 40 hours per week at \$10 per hour. The deductions per week are \$50 in federal income taxes, \$20 in state income taxes and \$30 in Social Security taxes. What is the net pay for the week?

\$300

\$330

\$350

\$400

26 An investment with a high return is likely to be high risk.

True

False

27 An older person with \$100,000 to invest should hold riskier financial investments than a younger person with \$100,000 to invest.

True

False

28 Andre and Kayla have a home worth \$210,000, a car worth \$8,500 and an investment portfolio valued at \$55,000. Which of the following scenarios will likely cause an increase in their net worth?

- Carrying a credit card balance incurred after a medical emergency
 - Housing values in their neighborhood remaining the same as the previous year
 - A car accident requiring repairs to their vehicle.
 - Stock prices in their investment portfolio rising
-

29 Andrew is a retired, single man who is 66 years old. He works a part-time job and wants to know if he will still be able to collect his Social Security benefits. Which of the following statements is true?

- Andrew can collect Social Security if his income does not exceed the federally mandated maximum
 - Andrew cannot collect Social Security because he must be 70 years old
 - Andrew can collect Social Security as long as he has no other assets
 - Andrew cannot collect Social Security because he is still working, while collecting Social Security
-

30 Andrew lost his job a few months ago and is running short on money to pay his bills. He is considering his options for withdrawing funds from a variety of accounts. Which of the following accounts will charge him a fee for withdrawing his money?

- Emergency fund
 - Money Market
 - 401(k)
 - Savings Account
-

31 Charlie opens a savings account and deposits \$500. If the savings account has a fixed annual interest rate of 5% and he makes no additional deposits or withdrawals, how much will Charlie have in his savings account at the end of two years?

- Exactly \$505
 - Exactly \$550
 - Less than \$550
 - More than \$550
-

32 Chelsea worked her way through college earning \$15,000 per year. After graduation, her first job pays \$30,000. The total dollar amount Chelsea will have to pay in federal income taxes in her new job will:

- Double, at least, from when she was in college
 - Increase a little from when she was in college
 - Stay the same as when she was in college
 - Be lower than when she was in college
-

33 Cindy's brokerage firm is experiencing financial difficulty and she is worried about the security of her investments. What protection does she have under the Securities Investor Protection Corporation (SIPC)?

- The SIPC will protect against the fall in value of her securities
 - The SIPC will work to restore to Cindy the securities and cash in her account
 - Cindy will receive fair market value in cash for her securities
 - Cindy will have up to \$500,000 of her investment insured if she is a citizen of the U.S.
-

34 Chris started a summer business selling tomatoes. He sold tomatoes for \$300 and his business costs were \$250. The \$50 that was left over was his:

- Price
 - Profit
 - Costs
 - Revenue
-

35 Choices have to be made because:

- Costs are limited
 - Wants are limited
 - Resources are limited
 - Consequences are limited
-

36 Claire and her friends are renting a house. They have all been working for two months. They do not have any savings. They are paid monthly and have just received their wages. They make a "To do" list that includes: get cable TV, pay the rent, and buy outdoor furniture. Is the task of buying outdoor furniture likely to need prompt attention from Claire and her friends?

- Yes
 - No
 - Don't know
 - Refuse to answer
-

37 Claire and her friends are renting a house. They have all been working for two months. They do not have any savings. They are paid monthly and have just received their wages. They make a "To do" list that includes: get cable TV, pay the rent, and buy outdoor furniture. Is the task of getting cable TV likely to need prompt attention from Claire and her friends?

- Yes
 - No
 - Don't know
 - Refuse to answer
-

38

Emily allowed her friend to borrow a video game. They decided to create a list of expectations about how long the video game should be gone and what would be the consequences if the game was damaged. Why is this type of agreement a good idea?

- You will know the expectations and consequences if something bad should happen to the video game
 - It is not a good idea, because it takes too much time to discuss and write down a list
 - You will know the length of time someone should borrow the game
 - A and C
 - None of the above
-

39

Emily works full time at Handy Dandy Hardware. Who pays the FICA (Social Security) contributions on Emily's wages?

- Emily only
 - Her employer only
 - Emily and her employer
 - The federal government
-

40 Emma borrowed \$5,000 on her credit card which charges an 18% annual interest rate. Her minimum monthly payment is 2% (or \$100). Assuming she does not borrow any more money on her credit card, how long will Emma take to pay off this debt if she only pays the minimum?

- 12 months
 - 26 months
 - 58 months
 - 94 months
-

41 Emma borrowed \$5,000 on her credit card which charges an 18% annual interest rate. Her minimum monthly payment is 2% (or \$100). Assuming she does not borrow any more money on her credit card, how much interest will Emma pay on this debt if she only pays the minimum each month, over the life of the loan?

- Approximately \$1,000
 - Approximately \$2,800
 - Approximately \$4,300
 - Approximately \$6,500
-

42 Emma borrowed \$5,000 on her credit card which charges an 18% annual interest rate. Her minimum monthly payment is 2% (or \$100). Assuming she does not borrow any more money on her credit card, how much will Emma save in interest payment if she pays \$150 per month rather than the \$100 minimum?

- Approximately \$2,300
 - Approximately \$3,000
 - Approximately \$4,200
 - Approximately \$5,000
-

43 Emma borrowed \$5,000 on her credit card which charges an 18% annual interest rate. Her minimum monthly payment is 2% (or \$100). Emma has decided to increase her monthly payment to \$150 per month. How long will it take Emma to pay off the loan?

- 24 months
 - 47 months
 - 62 months
 - 90 months
-

44

English wants to invest in a newly issued stock of a fast growing new company. The market he will trade in is the:

- International market
 - New York Stock Exchange
 - Primary market
 - Don't know
-

45

Entrepreneurs are considered innovators because they:

- Pay more taxes
 - Work long hours
 - Take dangerous jobs
 - Create new products
-

46 Eric and Aaron have been renting a two-bedroom apartment for the last three years. They have saved some money and are now considering buying a house. Which of the following are monthly expenses of homeownership they most likely did not face as renters?

- Property taxes
 - Closing costs
 - Down payment
 - Utilities
-

47 Ethel is 63 years old and has not started withdrawing from her IRA because she has not needed to make a withdrawal for income. She heard that if she does not begin withdrawing from her IRA by a certain age, that she will be penalized. At what age is Ethel required to begin making a required minimum distribution from her IRA to avoid being penalized?

- Age 65
 - Age 70 ½
 - Age 72 ½
 - Age 85
-

48

Financial experts recommend beginning to save while you are young because it:

- Is easier to save when you first begin earning income
 - Is hard to save later in life when you have more income to spend
 - Allows you to lock in higher interest rates when you buy on credit
 - Lets compound interest work in your favor by earning interest on interest
-

49

Ethel was playing bridge with her girlfriends and they started talking about long-term care coverage. Ethel had never heard of long-term care coverage and was unsure if she needed it. Which of the following is NOT a benefit of having long-term care coverage?

- Staying in your home for care
 - Protecting your savings
 - Waiting until you are older, the cost will be cheaper
 - Not being a burden on your children
-

50 Five brothers are given a gift of \$1,000. The brothers have to share the money equally, and must wait for one year to get their share of the \$1,000. In one year's time will they be able to buy:

- More with their share of the money than they could today
 - The same amount
 - Less than they could buy today
-

51 For a young person wishing to have the highest coverage of life insurance for a given dollar amount, the most appropriate type of insurance would be:

- Whole life insurance
 - Liability insurance
 - Term insurance
 - Don't know
-

52 For any student loans you are currently repaying, are your payments determined by your income, such as an income-based repayment plan, a pay-as-you-earn plan or an income-contingent repayment plan?

Yes

No

53 For budgeting purposes, how would you classify the cost of repairing your car due to an accident?

Fixed and planned expense

Fixed and unplanned expense

Variable and planned expense

Variable and unplanned expense

54 Freddy invested \$10,000 into a growth stock at the beginning of the year. At the end of the year, the value of the stock was \$12,300. Calculate Freddy's one year rate of return on his investment.

- 23%
 - 2.3%
 - 81.3%
 - 10%
-

55 For whose education has your household taken out student loans?

- Yourself
 - Your spouse/partner
 - Your child(ren)
 - Your grandchild(ren)
 - Other person
 - No student loans
 - Don't know
 - Refuse to answer
-

56 Garrett is trying to decide between a new and used vehicle for his first automobile purchase. Which of the following is an advantage of buying a used car instead of a new car?

- A used car tends to have more financing options
 - A used car will always cost less
 - A used car tends to have a better extended warranty
 - A used car tends to have less depreciation
-

57 Compared with most employees, entrepreneurs:

- Work fewer hours
 - Work better in teams
 - Are more willing to take risks
 - Are more willing to take government aid
-