1. One way that leads a person to earn additional income is for the person to
   A. discuss financial goals with her supervisor.
   B. increase budgeted monthly expenses.
   C. increase her knowledge or improve skills.
   D. volunteer at a successful corporation.

2. Entrepreneurs who start a new business with the hope of making a profit are
   A. working fewer hours than people who have an employer.
   B. earning higher wages than most people.
   C. taking advantage of government protection against financial loss.
   D. accepting the risk of financial loss if unsuccessful.

3. Income can be earned or unearned. Which of the following is an example of unearned income?
   A. Money from a part-time second job.
   B. Tips from customers.
   C. Interest from bank accounts.
   D. Paid vacation days from work.

4. Which of the following terms is correctly matched?
   A. Capital Gains – Scholarships.
   B. Rent – Tax free income.
   C. Gross Income – Salary before taxes.
   D. Deductions – Earned Income.

5. What strategy is an effective way to build adequate financial resources for a family to pay for college tuition?
   A. Opening a 529 College Savings Plan in the first year of a child’s birth.
   B. Taking a greater risk by purchasing speculative stocks until a child is age 16.
   C. Reducing taxes by investing money in mutual funds.
   D. Increasing contributions to Social Security.

6. Which of the following factors, other than job performance, will result in higher wages being given to many workers?
   A. An increase in the number of vacation days per year.
   B. A decrease in corporate borrowing.
   C. A higher number of college graduates who have the same major.
   D. A low number of available qualified workers looking for a job.

7. Read the information below about the profiles of individuals regarding their federal income tax
Mr. Chu – Married with two children, contributes to a retirement plan
Mr. Ortiz – Single, age 35, rents an apartment
Ms. Lalio – Single, age 58, contributes to a IRA
Ms. Feldman – Married, no children, rents a house.
Which person listed above is likely to have the greatest number of payroll tax exemptions which lowers taxable income?
   A. Mr. Chu.
   B. Mr. Ortiz.
   C. Ms. Lalio.
   D. Ms. Feldman.
8. The terms “job” and “career” are often used interchangeably. However, there is a major difference in the meaning of the terms. A career is characterized as
   A. responsibilities without risk because it involves different tasks.
   B. responsibilities that result in earning income from an hourly wage.
   C. a profession or vocation requiring special education or training.
   D. work that includes the benefit of short hours or little responsibility.

Review the information in the graph below before answering Question 9.

9. Which of the following explains why a person with an Associate’s Degree from a two-year community college earns $10,700 more than someone with a high school (HS) diploma?
   A. They are more productive because they have better writing, reading, and thinking skills.
   B. Community colleges place graduates in jobs with higher salaries.
   C. They have less student debt as a result of their higher income.
   D. The income gains shown are only during the first five years after graduating college.

10. Which of the following is the best advice for a student with college loans?
    A. After graduation, have a budget that includes money for paying more on the loan than is required monthly.
    B. Get a full time job with a large company that has a tuition reimbursement policy for its employees.
    C. Refinance the loan by transferring the amount of money owed to a credit card with a low-interest rate.
    D. After five years of working, if the loan is not fully repaid apply for personal bankruptcy.
11. A person is age 16 and looking for part-time work at a restaurant that is part of a national chain. Which of the following is the employer allowed to ask for on a job application?
   A. Copy of a major credit card.
   B. Social Security number.
   C. Parents' occupations.
   D. List of medical problems.

12. What is the opportunity cost of a person selling her stocks and bonds worth $5,000 to spend on a winter vacation?
   A. Loss of the ability to go out of town during the cold weather.
   B. Loss of the chance for the money to grow in value.
   C. Ability to have a balanced budget.
   D. There is none since they are equal opportunities.

13. An example of a change in a person’s life situation requiring a review of their financial goals and plans is
   A. graduating from middle school.
   B. purchasing a new car.
   C. buying life insurance.
   D. becoming a parent.

14. An important responsibility for young adults living independently is to
   A. purchase cell phone product insurance.
   B. pay the principal if they have a mortgage.
   C. purchase vacation homes.
   D. monitor credit card expenses and debt.

15. A college student wants to buy a bike to ride from a rented apartment to the college campus. Which of the following should be part of the research?
   A. Finding out which is the most popular bike sold in the area.
   B. Determining which bike is safe and affordable for the intended user.
   C. Comparing the cost of a repair and an accessory from three bike shops.
   D. Checking to see if the bicycle was made in America.
16. An individual or family should consult with a lawyer when
   A. deciding between term or whole life/universal life insurance policies.
   B. establishing a 529 College Education Fund.
   C. estate planning that includes a will.
   D. receiving an inheritance or windfall income.

17. Which of the following can cause a person to become a victim of consumer fraud?
   A. Having accounts at more than one bank.
   B. Responding to an email from an unknown sender.
   C. Filing income taxes online.
   D. Registering for the “Do Not Call” list.

18. For the past two years, the price of gasoline increased 10%, while incomes did not increase. Which of the following will impact the monthly budget and financial plans of most people as a result of this price increase?
   A. Insurance premiums.
   B. Property taxes.
   C. Use of an automobile.
   D. Automobile repairs.

19. Which of the following types of personal information should never be sent in an email or text message?
   A. Birthdate.
   B. Credit or Debit card number.
   C. Name of high school or college the person attended.
   D. Name of the town where the person lives.

20. A person who owns a house needs to reduce her monthly expenses. Which of the following is good advice to help her save money?
   A. Buy environmentally safe cleaning products for home use.
   B. Make purchases for home products online.
   C. Lower the thermostat for heat when no one is home.
   D. Pay home repair bills with a debit card.
21. A suggested amount of savings in order to pay for emergencies is
   A. 10% of assets.
   B. 1 month of variable expenses.
   C. 2 to 3 months of fixed expenses.
   D. 3 to 9 months of living expenses.

22. An example of a tax that raises the price of a product to reduce its popularity is
   A. an excise tax on tobacco.
   B. federal payroll tax on salary.
   C. state income tax.
   D. property tax.

23. Impulse shopping usually results in
   A. an increase in personal debt.
   B. a decrease in the buying of goods at department stores.
   C. an increase in credit scores.
   D. a decrease in the number of items purchased online.

24. A risk of using a debit card for buying goods and services is that
   A. there may be insufficient funds in the bank account.
   B. there may be a hidden fee for each purchase.
   C. the card may have expired.
   D. the repayment period may be shorter than thirty days.

25. The result of 4% inflation on the value of money when bank interest rates are 2% is that
   A. the value of the money increases at a faster rate.
   B. consumers are able to buy more than they did last year.
   C. the value of money doubles at a faster rate.
   D. consumers will have less money for spending.

26. Which of the following is included when determining a person’s net worth?
   A. Rented apartment.
   B. Health insurance.
   C. Gold coins.
   D. Bank safe deposit box.

27. Which of the following is generally considered a tax deduction and may reduce a person’s federal income taxes?
   A. A donation to a charitable organization.
   B. Insurance premiums.
   C. Heating expense.
   D. The fees credit card company charge.

28. Maintaining organized records for income and expenses is important in order for a person to know where her money is going. What is an effective strategy?
   A. Request a free annual report from the Internal Revenue Service.
   B. Track monthly income and spending in a notebook or spreadsheet.
   C. Get help by hiring someone.
   D. Open a checking account at a bank and review the monthly statements.

29. People in the U.S. spend 5.5% of their income on food consumed in the home and spend 4.5% of their income on food outside of the home. What does this say about how they spend their money?
   A. They have little value for healthy food.
B. Eating out is less expensive than making food at home.
C. They value eating out.
D. Food prices are high since supermarkets are profitable.

30. Which of the following is an advantage of people increasing their personal savings?
   A. The economy grows faster when people save money rather than spend it.
   B. The government benefits from taxes on savings.
   C. People are better able to afford items such as a future down payment on a home.
   D. Banks can use the money from deposits to make profits on loans to the public.

31. Which of the following risks can a person cover by having insurance to protect against financial loss?
   A. A flood in a home.
   B. A traffic violation.
   C. A divorce.
   D. Losing a job.

32. What is an acceptable way for people to lower the cost of their automobile insurance?
   A. Cancel their insurance after their car is registered.
   B. Use the car for work as well as for pleasure.
   C. Have their car inspected by a mechanic certified by the state.
   D. Increase the amount of the deductible.

33. When making online transactions, it is important to minimize the threat of identity theft by
   A. using a unique password and changing it frequently.
   B. using a desktop computer instead of a mobile device.
   C. shutting down the computer and erasing the memory each day.
   D. doing all online transactions from home using Wi-Fi.

34. The premium of a person’s life insurance policy is likely to be more expensive as a result of
   A. traveling.
   B. smoking.
   C. where the person lives.
   D. the person’s net worth.

35. What kind of insurance is extremely important for a single 25-year-old person to buy?
   A. Renters insurance.
   B. Long term care insurance.
   C. Health insurance.
   D. Life insurance.

36. Which of the following is an example of insurance fraud?
   A. A person’s claim that another car hit his car causing an injury that existed before the accident.
   B. A person with his own insurance drives a rented car.
   C. A person installs a radar detector in his car.
   D. A person excludes his daughter living at college out-of-state as a driver on his car insurance policy.

37. To reduce the cost of homeowners or renters insurance, policy holders should
   A. install an alarm system for fire and burglary.
   B. recycle paper and plastic trash daily in the same trash bin.
C. keep emergency numbers for police, fire, and ambulance on the refrigerator.
D. install a backup generator for electric power.

38. Which of the following is included in a standard homeowners or renters policy?
   A. Disability insurance.
   B. Appliance repairs.
   C. Theft of personal property.
   D. Damage from earthquake.

39. Which of the following is likely to **DECREASE** the auto insurance premium on a policy?
   A. Taking a drivers education course.
   B. Having a car accident.
   C. Adding a driver to an existing policy.
   D. Getting a parking ticket.

40. A woman parked her car and went shopping. When she returned she discovered that her car was damaged while it was parked. When filing a claim, what does she have to provide to her insurance company?
   A. The name of the person who damaged the car.
   B. The Social Security number of the person who damaged the car.
   C. Proof that she has enough money to pay for the deductible.
   D. A copy of the police report that she got from the police department.

41. Which of the following government programs would provide partial income to support someone who is retired?
   A. Affordable Care Act.
   B. Americans with Disabilities Act.
   C. Social Security.
   D. Meals on Wheels.

42. The purpose of long-term care insurance policies is to pay for
   A. catastrophic medical conditions after age 85.
   B. funeral expenses.
   C. medicine for people age 65 and older.
   D. assisted living and nursing care costs.

43. Banks and other companies are willing to issue credit cards because these financial institutions
   A. make money on the interest they charge on unpaid balances.
   B. own credit counseling agencies.
   C. are required by recent laws to make money available.
   D. are responsible for keeping inflation low.

44. "I pay my credit card bill in full five-to-seven days before the due date each month!"
   Someone who does this is likely to have
   A. a very high interest rate.
   B. adequate insurance coverage.
   C. monthly dividends from bonds.
   D. an excellent credit score.
Answer Question 45 based on the image of the card below:

45. Based on the information on this card, it is
   A. a debit card.
   B. provided by Simplicity.
   C. a store gift card.
   D. provided by Citi, a bank.

46. Ms. Jones graduated from college when she was age 30. She had a $10,000 college loan. She did not pay back the loan and still owes $8,000. Now she is 60 years old. Ms. Jones needs to know that
   A. if a student loan is unpaid, it may result in the borrower not being able to get Social Security retirement checks.
   B. many people do not pay the full amount of their student loans because they filed for personal bankruptcy.
   C. since this happened more than ten years ago, the loan does not have to be repaid.
   D. the government will require monies in an investment account be used to repay the loan.

47. A person has three credit cards with a total of $15,000 owed and a credit score of 500. She does not have a savings account and wants to improve her credit score and decrease her debt. What is the first thing she should do to address her problem?
   A. Ask her employer for a payday loan to help pay the outstanding debts.
   B. Choose the credit card with the highest interest rate and only pay that card’s invoice monthly.
   C. File for bankruptcy if she is less than 30 years old.
   D. Contact credit card companies to negotiate a lower interest rate and a repayment plan.

48. A person’s credit report includes his
   A. medical history and driving record.
   B. history of loans and credit activities.
   C. retirement and savings account balances.
   D. cost of insurance premiums and amount of federal tax refunds.

49. Negative or inaccurate information on a person’s credit report will make it difficult for a person to
   A. travel.
   B. retire.
   C. get a home mortgage.
   D. apply for life insurance.
50. One example of using credit responsibly is
   A. charging an expensive item that is on sale for one day when cash will be available next week.
   B. paying less than the minimum balance on a monthly bill.
   C. buying a leather coat with the intention of paying the cost over four years.
   D. charging wanted items by purchasing them online.

51. Credit card transactions are considered a form of borrowing because
   A. consumers need to sign the receipt given by the store.
   B. credit results in the money charged being immediately deducted from a bank account.
   C. the credit limit is based on a person’s ability to repay debt.
   D. someone else’s money is being used in exchange for the promise of repaying in the future.

52. Review the following information on financing a new car that costs $25,000 with a 48-month (four year) loan.

<table>
<thead>
<tr>
<th>Person</th>
<th>Down payment</th>
<th>Bank Loan</th>
<th>Dealer Loan</th>
<th>Monthly Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>25 Year old Male</td>
<td>$5,000</td>
<td>5%</td>
<td></td>
<td>$460</td>
</tr>
<tr>
<td>30 Year old Female</td>
<td>$5,000</td>
<td>6%</td>
<td></td>
<td>$470</td>
</tr>
</tbody>
</table>

The 30-year-old female’s monthly payment of $470 is more than the 25-year-old male’s monthly payment of $460 because of the
   A. applicant’s age.
   B. gender discrimination.
   C. interest rate.
   D. down payment.

53. In order to be sure that the checking or savings account linked to the account owner’s debit card has sufficient funds for purchases, banks offer “easy-access” credit as an option. Which of the following explains how “easy access” credit works?
   A. A person monitors his bank account balances and can use a computer to transfer funds.
   B. The bank provides a line of credit to automatically replenish bank account balances.
   C. The bank sends a text message to the debit card holder when the linked account balance is low.
   D. A person has all of her credit cards linked together and, therefore, money is always available.
54. A major difference between leasing and borrowing to buy is that
   A. Leasing is less expensive for the consumer.
   B. Leasing does not require that the consumer give a down payment.
   C. Borrowing requires the consumer to be at least age 25.
   D. Borrowing requires the consumer to make monthly payments with interest.

55. A credit card offers a grace period of 21 days, which mean that the card holder
   A. needs to have the payment posted by the 21st day or a late fee will be charged.
   B. can miss one payment per year if all other monthly payments that year are made by
      the 21st day.
   C. receives rewards points if the bill is paid before the 21st day.
   D. can have cash advances that are interest-free during the 21 days.

56. When a credit card company contacts a person’s employer or asks for a copy of a school
    transcript with grades, they are generally evaluating a person’s
   A. capacity.
   B. character.
   C. collateral.
   D. conditions.

57. The feature of a fixed-rate mortgage loan that is it different from an adjustable-rate mortgage
    loan is that the fixed-rate mortgage has
   A. a down payment on the loan is 30% of the selling price of the home.
   B. a down payment on the loan is only 5% of the selling price of the home.
   C. an interest rate that remains the same throughout the length of the loan.
   D. an interest rate that changes annually throughout the length of the loan.

58. How does having a loan to pay for a college education affect a person’s net worth?
   A. Education is an investment in the future which increases net worth.
   B. Only the amount of interest affects net worth.
   C. Private bank loans decrease net worth while federal loans do not.
   D. Net worth decreases by the amount of the total loan plus interest.

59. A neighborhood restaurant wants to add a place for outdoor dining. In order to do this, the
    owners need a loan of $50,000. Which of the following can influence getting a new loan
    approved?
   A. Using a personal three- year car loan as collateral for a business loan.
   B. Asking for a loan from family and friends.
   C. Using a good credit history from a business credit card to get a business loan.
   D. Getting a cosigner on the loan.

60. Anthony’s friend Donald asks to borrow Anthony’s computer for the weekend while Donald’s
    computer is being repaired. What is most important for Anthony to consider before allowing
    Donald to borrow the computer?
   A. The length of time Donald and Anthony have been friends.
   B. Donald’s credit score.
   C. The items that Donald has that Anthony might need to borrow.
   D. Donald’s level of responsibility and honesty.
61. One of the reasons lenders review the credit history of individuals applying for credit and loans is to determine
   A. place of residence.
   B. the amount of life insurance coverage.
   C. how much is owed.
   D. health history.

62. A person received a free copy of her credit report and found inaccurate information. What should she do?
   A. Contact her employer about the mistake
   B. Inform the Consumer Financial Protection Bureau (CFPB).
   C. Send a letter to the Internal Revenue Service (IRS) about her problem.
   D. Write to the credit-reporting agency about the mistake.

63. How does credit help borrowers?
   A. Borrowing is not on a person’s credit report until all payments are made.
   B. A person can buy a big ticket item on credit and use it while paying for it.
   C. Buying on credit helps a person to increases her credit score.
   D. A person who borrows can satisfy her wants and needs without concern.
64. Four friends each deposited $1,000 in a savings account at their local bank on the same day. After two years, from the date of deposit, the friend who had the most amount of money is the one whose bank compounded interest
   A. daily.
   B. weekly.
   C. monthly.
   D. yearly.

Review the information below before answering Question 65.

<table>
<thead>
<tr>
<th>Age</th>
<th>Deposited</th>
<th>Interest Rate</th>
<th>Value at Age 20</th>
</tr>
</thead>
<tbody>
<tr>
<td>10</td>
<td>$1,000</td>
<td>4%</td>
<td>$1,492.00</td>
</tr>
<tr>
<td>17</td>
<td>$1,000</td>
<td>6%</td>
<td>$1,197.00</td>
</tr>
</tbody>
</table>

65. The ten-year-old boy has more money in his savings account because the money was deposited
   A. in an insured bank account.
   B. at an earlier age.
   C. in an account with a higher interest rate.
   D. in an account at a credit union.

66. An individual with a high tolerance for risk and volatility in financial markets would be most comfortable with more than 50% of his investments in which of the following?
   A. Insured bank savings accounts.
   B. Government bonds.
   C. Mutual Funds.
   D. Common stocks.

67. Which of the following is an example of how a stock may provide income?
   A. Insurance.
   B. Dividends.
   C. Principal.
   D. Premium.

68. An investor bought 100 shares of stock in a technology company for $3,000 and three years later, sold all the shares for $4,000. The $1,000 profit is known as
   A. diversification.
   B. a yield.
   C. a capital gain.
   D. dollar cost averaging.
69. Which of the following people can take the greatest amount of investment risk?
   A. A married couple who have teenage children and a high-interest mortgage loan on
      their new home.
   B. A single person with a full time job earning minimum wage.
   C. An elderly married couple whose only income is social security.
   D. A young college graduate who is single and has a leadership position in a profit-
      making company.

70. An investor who is interested in diversifying his stock portfolio should buy
   A. speculative stocks, such as new companies without a history of profits.
   B. stocks in different sectors, such as health care, finance and technology.
   C. stocks offering a fixed rate of return.
   D. stocks with high dividends.

71. Investment education help investors avoid scams and protect themselves against fraud.
    Which statement is a red flag that something is wrong?
    A. The stocks being recommended all have some risk.
    B. Do research before purchasing an investment product.
    C. This investment is guaranteed to make a profit.
    D. The return on this investment may be high.

72. When people invest money in stocks, bonds, or real estate, they are
   A. insuring that they get a steady source of future income.
   B. letting their assets work for them to create more money.
   C. preventing an increase in inflation.
   D. taking advantage of another person’s wealth.

73. Which of the following is a correct calculation of simple interest on $1,000 at the end of one
    year?
   A. 3% = $30 or $1,030.00
   B. 4% = $400 or $1,400.00
   C. 5% = $150 or $1,150.00
   D. 6% = $600 or $1,600.00

74. Which of the following is an important benefit of long-term investing in the stock market?
   A. Getting to know a financial advisor well over many years.
   B. Historically, investing in stocks for a long period of time generates higher returns than
      savings accounts.
   C. There are no fees for investments held for longer than five years.
   D. After ten years, profits on investments in the stock market are protected from price
      fluctuations.