

Chapter 1: Assessment Answer Keys

**Please note that assessment questions are randomized in our FoundationsDigital platform for each student. Therefore, the order these questions will appear for each student will vary.*

Chapter 1 Pre/Post-test

1. Which of the following statements best describes how Americans are being outsmarted by banks and other lenders?

- 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.
- We are taught that we can buy happiness.
- Buying things on credit has become acceptable in our culture.
- We are driven by consumerism.

2. Having debt keeps you from building wealth.

- True
- False

3. When developing a personal financial plan, one of the first things you should do is assess your current financial situation. This includes your income, assets and liabilities.

- True
- False

4. Which of the following statements best explains why income alone does not determine wealth?

- Investing is the only factor that contributes to wealth building.
- Income alone does determine a person 's wealth.
- Only people who are natural savers can become wealthy.
- How much money a person makes does not dictate his or her spending and saving behavior

5. Which of the following is not a true statement?

- Americans learned to borrow amidst post-WWII prosperity.
- The credit industry in America has not changed much since 1917.
- After 1970, consumer debt skyrocketed.
- As banks made higher profits, they were willing to lend more money to consumers

6. Which of the following is not a benefit of understanding your own money personality?

- Recognizing who you are allows you the opportunity to grow and learn.
- Once you know your money personality, you can develop a financial plan that works for you.
- Knowing your money personality allows you to excuse excessive spending because it is simply part of your nature.
- None of the above.

7. Key components of financial planning include all of the following except:

- Write out a detailed plan for accomplishing your goals
- Replace money myths with money truths
- Allow your financial planner to make all of your major money decisions
- Regularly monitor and reassess your financial plan

8. During the Great Depression, New Deal policymakers came up with mortgage (home loans) and consumer lending policies that convinced commercial banks that:

- Consumers would not be willing to use credit, since borrowing money for large purchases had not previously been an option for the middle class
- They would not be able to compete with loan sharks in the industry of consumer lending
- Consumer credit could be profitable
- Consumer credit was not a profitable industry

9. Most Americans today are wealthy and will have financial security when they retire.

- True
- False

10. When it comes to managing money, success is about ____% knowledge and ____% behavior.

- 50, 50
- 60, 40
- 80, 20
- 20, 80

11. A fee paid by a borrower to the lender for the use of borrowed money

- Bills
- Interest

12. A period of temporary economic decline during which trade and industrial activity are reduced; generally identified by a fall in gross domestic product (GDP)

- Market Economy
- Recession

13. Which of the following is a consequence of spending more than you make?

- Missed opportunity to save and invest
- Stress
- A cycle of debt
- All of the above

14. The knowledge and skillset necessary to be an informed consumer and manage finances effectively

- Financial Literacy
- Budgeting

15. Expensive houses and new cars are a true indication of wealth.

- True
- False

16. When it comes to personal finance, the math is easy. What's challenging is managing your _____.

- Income
- Friends
- Bank account
- Behavior

17. Since you are a teenager, what you do now with money will have little effect on your financial future.

- True
- False

18. Learning the language of money is not that important because you will be able to depend on financial planners to manage your money.

- True
- False

19. An obligation of repayment owed by one party to a second party

- Debt
- Ownership

20. Which of the following best explains why students should learn about personal finance?
- Learning to manage money at this stage can eliminate financial mistakes and promote huge financial benefits for the future.
 - Personal finance skills are better learned through trial and error.
 - Personal finance skills are highly complex and require a great deal of time to learn.
 - Learning to manage money will help you achieve a profitable career.
21. A system by which goods and services are produced and distributed
- Assets
 - Economy
22. True financial security is achieved when your money begins to generate an income -your money starts working for you.
- True
 - False
23. A person or business that offers loans at extremely high interest rates
- Loan Shark
 - Creditor
24. Which of the following is not a factor in becoming money smart?
- Have knowledge of basic math
 - Learn the language of money
 - Manage your behavior with money
 - Learn how to read your credit card statements
25. A debt evidenced by a "note," which specifies the principal amount, interest rate and date of repayment
- Bank Fee
 - Loan

26. Everyone should have the same financial plan. A budget that works for one person should be sufficient for everyone.
- True
 - False
27. The granting of a loan and the creation of debt; any form of deferred payment
- Credit
 - Annual Fee
28. A person or organization that uses a product or service
- Borrower
 - Consumer
29. Personal financial success is primarily the result of:
- Managing your money behavior
 - Winning the lottery
 - Generous welfare and unemployment programs
 - Inheriting money from your parents
30. Why was the use of credit uncommon prior to 1917?
- Laws prevented lenders from charging high interest rates.
 - Borrowing money was generally not socially acceptable.
 - Lending money to others was not profitable.
 - All of the above.
31. Most Americans avoid the use of credit when it comes to buying big-ticket items like a car or furniture for their home.
- True
 - False

32. The credit system today is structured to accommodate a state of uncertain employment and income instability, utilizing high interest rates and fees to turn huge profits.

- True
- False

33. Which of the following is not a reason credit is marketed heavily to consumers in the United States?

- The credit industry has become extremely profitable.
- There is strong consumer demand for big-ticket items.
- 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.
- The use of credit is not socially accepted in the United States.

34. The widespread financial insecurity of Americans is primarily because:

- The incomes of Americans are low
- The saving rate of Americans is low and many borrow in order to spend more than they earn
- Government programs are unavailable to help people when they are disabled or experience unemployment
- Most Americans save a high proportion of their income

35. All of the decisions and activities of an individual or family regarding their money, including spending, saving, budgeting, etc.

- Personal Finance
- Currency

Chapter 1, Section 1 (Video 1:1a) Quiz “What is Personal Finance?”

1. It is possible to get through college and graduate debt free.

- True
- False

2. What is the #1 reason students drop out of college?

- Bad Grades
- Money Problems
- Bad Relationships
- Don't like going to class

3. Only a few people in America have the ability to become a millionaire.

- True
- False

Chapter 1, Section 1 (Video 1:1b) Quiz “Key Components of Financial Planning”

1. It is important that you get to know your money _____.

- Language
- **Personality**
- Situation
- Potential

2. What is the second key of a successful financial plan?

- **Set money goals**
- Plan your career
- Apply for a job
- Talk with your parents about money

3. Seven out of every ten families in America live _____ _ _____.

- loan to loan
- job to job
- **paycheck to paycheck**
- house to house

4. Once you have established your financial plan you need to write it down.

- **True**
- False

5. What is the first key component of a successful financial plan?

- Get a job
- Buy a car
- **Assess your financial situation**
- Put money into savings

Chapter 1, Section 2 (Video 2:1a) Quiz “A History of Credit and Consumerism”

1. Buying things on credit was extremely rare before which year?

- 1949
- 1925
- 1962
- 1917

2. Credit cards and car loans are a great idea for most people.

- True
- False

3. The average student loan debt is about

- \$30,000
- \$12,000
- \$18,000
- \$6,000

4. Prior to the 1970's, debt was something most Americans were ashamed of.

- True
- False

5. A lot of people you think “look” wealthy are completely broke.

- True
- False

Chapter 1, Section 2 (Video 2:1b) Quiz “The ‘Normal’ American Family”

1. Being like everyone else means being broke and in debt.

- True
- False

2. In America, being “normal” is _____.

- wealthy
- broke

3. Things are always as they seem.

- True
- False

4. Personal Finance is ____% behavior and ____% knowledge.

- 30, 70
- 80, 20
- 50, 50
- 60, 40

Chapter 1, Section 2 (Video 2:1d) Quiz “Americans are Being Outsmarted”

1. The debt system helps people gain wealth

- True
- False

2. Who profits from interest on credit card debt?

- People using credit cards
- Credit Card Companies
- Retail Stores
- The Government

3. Americans today charge over _____ a year on their credit cards.

- 2 billion
- 25 million
- 1 trillion
- 82 billion

4. You should always use a credit card for purchases.

- True
- False

Chapter 1, Section 3 (Video 3:1a) Quiz “You and Money”

1. To manage money successfully, you must understand the _____ of money.
 - Language
 - Personality
 - Value
 - History
2. Debt can cause stress and gets in the way of pursuing your dreams and passions.
 - True
 - False
3. If you put what you learn into practice, you can
 - Tell your money what to do.
 - Become wealthy quickly.
 - Get better loan options.
 - Have multiple credit cards.

Chapter 1, Section 3 (Video 3:1b) Quiz “Become Money Smart”

1. You need to learn how to manage your money _____.
 - Value
 - Behavior
 - Vocabulary
 - Savings
2. The best way to manage money is to learn how to manage _____.
 - you
 - others
 - credit cards
 - Income
3. Only accountants and financial experts can win with money.
 - True
 - False
4. Being “Money Smart” is very difficult and takes a lot of time to learn.
 - True
 - False
5. We all have strengths and weaknesses when managing our money.
 - True
 - False