

# Chapter 2: 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 2, Pre-/Post-Test

1. Compares after-tax income to the money people spend on a variety of items.
  - Interest Rate
  - Savings Rate
2. The persistent rise in the cost of goods and services.
  - Deflation
  - Inflation
3. Which of the following is a reason that people don't save money?
  - They lack discipline
  - They do not live on a budget
  - They lack focus
  - All of the above
4. When it comes to saving money, the amount you save is determined by how much you have left at the end of the month once all of your spending is done.
  - True
  - False
5. The five steps to financial success.
  - Five Money Myths
  - Five Foundations

6. At your age, a fully funded emergency fund should be:

- \$500
- \$5,000
- \$100
- \$1,000

7. Which of the following steps is the First Foundation?

- Get out of debt
- Build wealth and give
- Save a \$500 emergency fund
- Pay cash for your car

8. The first thing you should save for is your retirement fund.

- True
- False

9. Instead of borrowing money for large purchases, you should set money aside in a \_\_\_\_\_ over time and pay with cash.

- Emergency fund
- Sinking fund
- Credit card fund
- Mortgage fund

10. Saving money over time for a large purchase.

- Installment Loan
- Sinking Fund

11. Percentage paid to a lender for the use of borrowed money, or the percentage earned on invested principal.

- Interest Rate
- Savings Rate

12. Save a \$500 emergency fund.
- The First Foundation
  - The Fourth Foundation
13. What does it mean to have a negative savings rate?
- Saving for something that is a want instead of a need
  - Having a fully funded emergency fund
  - Having no savings at all
  - Spending more money than you make and acquiring debt
14. Which of these is not a key to saving money?
- Focus
  - Making saving a habit and a priority
  - Your income
  - Discipline
15. Interest paid on interest previously earned.
- Compound Interest
  - Interest
16. Your income level greatly affects your saving habits.
- True
  - False
17. Americans typically maintain a very high savings rate.
- True
  - False
18. You should save money for three basic reasons: emergency fund, purchases and wealth building.
- True
  - False

19. Money set aside and left alone for a "rainy day."
- Emergency Fund
  - Savings Account
20. Why should interest earned not be a factor with your emergency fund?
- Inflation can eat up the interest earned.
  - Interest-bearing accounts at banks earn a high rate of interest, therefore, interest is not a concern.
  - The emergency fund is not intended to grow wealth.
  - None of the above
21. Which of the following is not a reason your emergency fund should be kept in a separate savings account away from your spending money?
- So that you do not get your spending and saving money confused.
  - So that it is clear what money is only to be used for emergencies.
  - So that it is not too easy to access.
  - So that your emergency fund savings can earn a lot of interest.
22. You should hold off on investing for retirement until you have college or other post-secondary education paid for.
- True
  - False
23. You should keep your emergency fund in the same account as your spending money.
- True
  - False
24. When you're in high school, you won't have the same emergency expenses as your parents.
- True
  - False

25. The saving habits of Ben and Arthur best illustrate which principle of saving?

- The length of time money is invested matters.
- The amount of the initial investment is the key.
- Rate of return doesn't matter.
- None of the above

26. When you're older and out of school, you'll need to grow your emergency fund into a full three to six months' worth of expenses.

- True
- False

27. When a person intentionally invests money in a place where it can earn more money.

- Sinking Fund
- Wealth Building

28. An interest-bearing account is an account that generates interest income on the available balance in the account.

- True
- False

29. Why is having a fully funded emergency fund so important when it comes to your financial well-being?

- As long as you have a good-paying job, you really don't need an emergency fund.
- The purpose of an emergency fund is to set money aside for unexpected financial emergencies and to provide a sense of financial security.
- The purpose of an emergency fund is to have money set aside for large purchases, like vacations.
- None of the above

30. Saving is about:

- Contentment and emotion
- Contentment and earning more money
- Making more money and discipline
- Pride and greed

31. For which of the following should you save?

- Purchases
- Wealth building
- Emergency fund
- All of the above

32. Using the sinking fund approach, how much do you have to save each month to buy a \$4,800 car one year from now?

- \$400
- \$300
- \$275
- \$500

33. Which of the following is not one of the three basic reasons for saving money?

- Emergency fund
- Large purchases
- Have money available to lend to friends
- Build wealth

34. 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.

- Opportunity cost
- Time value of money
- Interest rate
- Inflation

35. Money today has different buying power than the same amount of money in the future.

- Interest
- Time Value of Money

## Chapter 2, Section 1 (Video 1:1a) Quiz “The Five Foundations”

1. Debt is only when you owe money on credit cards.

- True
- False

2. You should do a budget every single month.

- True
- False

3. The budget is your written plan and tells \_\_\_\_\_ where to go.

- Your investments
- Every dollar
- Your time
- All of the above

4. Anyone can become a millionaire in this country.

- True
- False



### Chapter 2, Section 1 (Video 1:1b) Quiz “The First Foundation”

1. Debt never solves the problem; it delays one problem while creating another.
  - True
  - False
2. You should put your \$500 emergency fund in your everyday checking account.
  - True
  - False
3. The first foundations tell you to save \$500 for \_\_\_\_\_.
  - College
  - Your car
  - Fun
  - Emergencies

## Chapter 2, Section 1 (Video 1:1c) Quiz “Make Saving a Priority”

1. Saving money is about emotion and \_\_\_\_\_.

- Safety
- Contentment
- Family
- Your future

2. Money is \_\_\_\_\_.

- Paper
- Fun
- Amoral
- Evil

3. Savings: If it became important enough, you could save it!

- True
- False

**Chapter 2, Section 2 (Video 2:1a) Quiz “Save Money for Three Basic Reasons”**

**1. Saving is a learned skill.**

- True
- False

**2. Emergencies are going to happen, expect them!**

- True
- False

**3. Which of the following are reason(s) to save?**

- Emergency fund
- Purchases
- Wealth building
- All of the above

## Chapter 2, Section 2 (Video 2:1b) Quiz “Emergency Fund”

1. Murphy’s law states that “If it can go \_\_\_\_\_, it will”

- Right
- **Wrong**
- Downhill
- Away

2. Saving takes the maturity to say, “\_\_\_\_\_” to purchases.

- Yes
- **No**
- How much?
- All of the above

3. You don’t get \$500 by accident, it takes time and hard work.

- **True**
- False

## Chapter 2, Section 2 (Video 2:2a) Quiz “Purchases”

1. “90 Day Same as Cash” deals are a great bargain.

- True
- False

2. Instead of borrowing to buy something, pay cash by using a \_\_\_\_\_  
\_\_\_\_\_.

- Emergency Fund
- Standing Account
- Sinking Fund
- Debit Card

3. You can’t pay cash for a car.

- True
- False

## Chapter 2, Section 2 (Video 2:2b) Quiz “Wealth Building, Part 1”

1. Automate your wealth building by using \_\_\_\_\_.

- A debit card
- Pre-authorized checking withdrawals
- A money market account
- All of the above

2. If you saved \$100 per month for 40 years, you would be a millionaire.

- True
- False

3. Wealth building requires discipline.

- True
- False

4. Only a few people in America can become millionaires.

- True
- False

5. Building wealth is a\_\_\_\_\_.

- hop
- skip
- marathon
- sprint

## Chapter 2, Section 2 (Video 2:3a) Quiz “What is the Secret to Saving?”

1. You should save first, give second, and spend third.

- True
- False

2. To save you need to be focused and practice \_\_\_\_\_.

- Spending
- Using coupons
- Discipline
- Saying “yes”

3. What is the first thing you should do with your money?

- Give
- Spend
- Save
- Take

Chapter 2, Section 2 (Video 2:3b) Quiz “Wealth Building, Part 2”

1. Ben and Arthur teach us that you have to start investing by age 30.

- True
- False

2. Compound interest creates a(n) \_\_\_\_\_ explosion.

- Scientific
- Mathematical
- Astrological
- Monetary

3. Start investing now, so you don't regret it later in life!

- True
- False

4. Both Ben and Arthur made the same amount of money investing, regardless of when they started.

- True
- False



### Chapter 2, Section 3 (Video 3:1a) Quiz “Anyone Can Become a Millionaire”

1. Most millionaires inherited their money from their parents.

- True
- False

2. The only millionaires are those you see on professional sports teams, in the movies, etc.

- True
- False

3. On average, how long does it take to become a millionaire in America?

- 4 years
- 13 years
- 17 years
- 22 years

### Chapter 2, Section 3 (Video 3:1b) Quiz “Rate of Return on Interest Rates”

1. Rate of return is also called an interest rate.

- True
- False

2. Credit cards are safe to use in case of an emergency.

- True
- False

3. Compound interest is when your interest rate doubles.

- True
- False