

Comprehensive Reference List of Financial Socialization Literature

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APPENDIX A

PERSONAL FINANCE EDUCATION GUIDELINES AND BENCHMARKS

Personal Financial Management Guidelines – Income

Students will be able to:

- A. Analyze how personal choices, education/training, technology, and other factors affect future income.
- B. Identify sources of income, including entrepreneurial activity.
- C. Explain how tax policies, personal taxes, and transfer payments affect disposable income.

Benchmarks for Grade 4

Students will know that:

1. People can earn income by exchanging their human resource (mental and physical work) for wages and salaries.
2. Entrepreneurs are individuals who are willing to take risks in order to develop new products and start new businesses. They recognize new opportunities enjoy working for themselves, and accept challenges.
3. Entrepreneurs accept the risks in organizing resources to produce goods and services, and they hope to earn profit.
4. Human capital is the skills, education and abilities human resources possess. When workers learn and practice new skills they are improving their human capital.
5. When businesses purchase tools and equipment they are improving physical capital.

Students could use this knowledge to:

1. Identify ways in which children can earn income or times when children receive money as gifts. Identify workers in their community.
2. Identify entrepreneurs in their community and state. Interview these entrepreneurs or read biographies of other entrepreneurs and identify characteristics these individuals share.
3. Analyze the resources need for a particular entrepreneur in their community. Explain that profit is what remains after the entrepreneur has paid all costs of production.
4. Explain how they invest in their human capital to improve a skill (math computation, playing an instrument, dancing, playing a sport).
5. Explain that better tools and technology improve output per worker.

Benchmarks for Grade 8

Students will know the grade 4 benchmarks for this and also that:

1. To earn income, people sell their productive resources. These include natural resources, human resources, capital resources and entrepreneurial ability.
2. More productive workers are likely to be of greater value to employers and earn higher wages.
3. Workers can improve their productivity by improving their human capital.
4. Workers can improve their productivity by using physical capital such as tools and equipment.

Students could use this knowledge to:

1. Identify examples of productive resources and recognize the income payments for those resources.
2. Explain the relationship between increased productivity and costs of production.

3. Analyze ways in which they can invest in their human capital to increase their income earning potential.
4. Explain how the use of capital affects productivity in a particular production process.

Benchmarks for Grade 12

Students will know the grade 8 benchmarks for this and also that:

1. Entrepreneurial decisions affect job opportunities for other workers.
2. Entrepreneurial decisions are influenced by government tax and regulatory policies.
3. People's incomes in part, reflect choices they've made about education, training, skill development, and career. People with few skills are more likely to be poor.
4. More productive workers are likely to be of greater value to employees and earn higher wages than less productive workers.
5. Investment in physical and human capital can increase productivity but such investment entails opportunity costs and economic risk.
6. Taxes are mandatory payments to government.
7. Transfer payments are payments of money (or goods and services) by a government or a firm to a household or firm for which the payer receives no good or service directly in return.
8. Disposable income is income remaining after all taxes are paid.

Students could use this knowledge to:

1. Explain how a positive or negative environment for entrepreneurship influences job opportunities.
2. Identify tax and regulatory policies that affect entrepreneurship and analyze the impact these policies have on entrepreneurial decisions.
3. Identify choices that they can make to influence their level of education and skill development. Explain how these choices can influence their career and earning potential.
4. Analyze the relationship among productivity, costs of production, and wages.
5. Analyze the opportunity costs and risks related to a firm's investment in physical and human capital.
6. Identify personal taxes that individuals pay and explain how a change in the level of personal taxes would change people's behavior.
7. Identify transfer payment programs (farm subsidies, welfare, Social Security) and weigh the costs and benefits of such programs.
8. Given examples, calculate the disposable income for an individual or family.

Personal Financial Management Guideline – Money Management

Students will be able to:

- A. Identify the opportunity cost of a financial decision as applied to income, spending, and saving.
- B. Establish and evaluate short-and long-term financial goals and plans regarding income, spending, and saving.
- C. Develop, analyze and revise a budget.
- D. Explain relationships among taxes, income, spending and financial investment.
- E. Develop a risk management plan that includes life, automobile, property, health and income-protection/disability insurance.
- F. Explain personal financial responsibility.
- G. Perform basic financial operations, such as using checking and savings accounts.

Benchmarks for Grade 4

Students will know that:

1. People make choices because they can't have everything they want.

2. A cost is what you give up when you decide to do something.
3. A benefit is something that satisfies your wants.
4. Opportunity cost is the value of the best alternative given up.
5. People can earn income by exchanging their human resources (mental and physical work) for wages or salaries.
6. Saving is the part of income not spent on taxes or consumption.
7. Savings accounts are deposits in a bank, savings and loan association, or credit union on which interest is received.
8. Checking accounts are deposits in banks, savings and loan associations, and credit unions upon which checks may be written, or money drawn with an ATM or debit card.
9. A check is a written request (the use of a debit/ATM card is an electronic request) to the bank, savings and loan association, or credit union to subtract a specified amount from a transactions account as payment for a good or service or to withdraw cash.
10. A check register is a book or an electronic file in which the customer records the amount of each check written, to whom it was written, and the amount for which it was written. The customer also records deposits to the account and the amount of debits or withdrawals made using an ATM or debit card.

Students could use this knowledge to:

1. Identify choices that they and their families have made.
2. List the costs of buying and maintaining a bicycle (or other item).
3. List the benefits of buying and maintaining a bicycle (or other item).
4. Identify the opportunity cost of a spending decision they've made.
5. Give examples of ways that children earn income for work they do and identify workers in their community.
6. Identify something for which they wish to save, decide how much they can save each week, and determine how long it will take them to reach their goal.
7. Select a community bank and learn about the requirements for opening a savings account (fees, minimums, and so on) and the rate of interest paid on the account.
8. Explain that checks, ATM cards, and debit cards can be used to withdraw currency or purchase goods and services only if there is an adequate balance in the account.
9. Write checks.
10. Maintain a check register.

Benchmarks for Grade 8

Students will know the grade 4 benchmarks for this standard and also that:

1. The choices that people make have both present and future consequences.
2. To make decisions regarding income, spending, and saving people must compare additional benefits and additional costs of alternatives.
3. Short-term financial goals are those people plan to achieve in less than two years.
4. Intermediate-term financial goals are those people plan to achieve in two to five years.
5. Long-term financial goals are those people plan to achieve in more than five years.
6. Income is payment received in exchange for productive resources (wages and salaries for human resources, rent for natural resources, interest for capital resources, and profit for entrepreneurial ability)
7. Expenses are payments for various goods and services.
8. Fixed expenses are payments that do not vary from month to month.
9. Variable expenses are flexible living expenses that vary from month to month.
10. Periodic expenses are expenses that occur occasionally and for which people budget money each month.

11. Discretionary income is the amount available after expenses have been paid.
12. Taxes are required payments to government.
13. A budget is a plan for managing income and spending.

Students could use this knowledge to:

1. Explain the opportunity cost of spending now and the opportunity cost of saving.
2. Compare the additional costs and benefits of alternative spending or saving decisions.
3. Identify a short-term financial goal for themselves.
4. Identify an intermediate-term financial goal for themselves.
5. Identify a long-term financial goal for themselves and explain that saving decisions require trade-offs between short-term and long-term goals.
6. Given a list of expenses and income for an individual, identify sources of income.
7. Given a list of expenses and income for an individual, identify expenses.
8. Categorize expenses as variable or fixed and explain why.
9. Categorize expenses as variable or fixed and explain why.
10. Identify periodic expenses such as home or car repairs, emergencies, and gift giving.
11. Given income and expenses, calculate discretionary income.
12. Identify examples of taxes on income, taxes on consumption of goods and services, taxes on financial investments and savings and explain who pays these taxes.
13. Develop and revise a budget (to balance or reach goals.)

Benchmarks for Grade 12

At the completion of grade 12, students will know the grade 4 and 8 benchmarks for this standard and also that:

1. Gross income includes all of the income items that must be included on a tax return such as wages or salaries, interest, lottery winnings, tips, commissions and profit from a business.
2. Disposable income is income after all taxes.
3. Return is the amount a saver or investor receives from a savings or financial investment option, usually expressed as a percentage yield.
4. Insurance is protection that people buy to compensate them for personal or financial loss due to unexpected events.
5. An insurance policy is a written contract.
6. Risk is uncertainty about the future value of an asset.
7. An insurance benefit is a payment made by an insurance company.
8. A beneficiary is the person who receives an insurance payment.
9. Deductible is the portion of a loss to be paid by the insured.
10. A premium is the amount paid (annually, semi-annually, quarterly) for insurance protection.
11. Automobile insurance is protection against financial losses resulting from collision, theft, vandalism, fire, acts of nature, or injury to the driver, passengers, or others.
12. Life insurance is protection against financial losses due to death.
13. Property insurance is protection against financial losses resulting from damage to or destruction of property or possessions.
14. Health insurance is protection from medical expenses incurred due to illness or injury.
15. Disability insurance is protection against loss of income due to illness or injury that results in disability.
16. Renter's insurance is property insurance for protection against the loss of contents in a rented dwelling due to fire, theft, and acts of nature.
17. Managing risk, which includes the use of insurance, is an important component of money management.
18. Banks provide customers with a monthly statement for their checking account.

Students could use this knowledge to:

1. Identify taxable income for an individual and complete state (if applicable) and federal income tax forms.
2. Determine disposable income for an individual.
3. Compare returns on various savings and financial investment options.
4. List types of insurance commonly purchased by individuals and analyze the costs and benefits of each type.
5. Explain that under a policy, an insurance company agrees to assume risk for a fee (the premium) paid by the insured or the policy holder.
6. Identify risks for which they may want protection such as loss of income due to death, illness, or disability; loss of personal or real property due to wind, fire, accident, or theft; or possible losses due to negligence leading to bodily harm or property loss to others.
7. Identify examples of benefits paid by insurance companies.
8. Identify the beneficiary for a sample policy.
9. Identify the required deductible for a sample policy.
10. Identify the premium and how often the premium must be paid for a sample policy.
11. Compare the costs and benefits of alternative automobile insurance policies for a 16-year-old male (or other individual) driving a 2-year-old sports car (or other model).
12. Compare the costs and benefits of alternative life insurance policies for a 25-year-old female (or other individual).
13. Compare the costs and benefits of alternative homeowners' insurance policies for a selected home.
14. Compare the costs and benefits of alternative health insurance policies.
15. Compare the costs and benefits of alternative disability insurance policies.
16. Compare the costs and benefits of alternative renter insurance policies.
17. Weigh the benefits and costs of common types of insurance against the potential consequences of insufficient insurance.
18. Reconcile a monthly checking account with the statement.

Personal Financial Management Guidelines – Spending and Credit

Students will be able to:

- A. Compare the advantages and disadvantages of spending now and spending later.
- B. Evaluate the benefits and costs of using different transaction instruments, such as cash, checking accounts, debit cards, credit cards, money orders, electronic fund transfers, and other financial services.
- C. Explain how the price of credit is affected by the risk level of the borrower.
- D. Explain how payment performance determines credit history and why credit records are maintained and accessed.
- E. Describe rights and responsibilities of buyers, sellers, and creditors under various consumer protection laws.
- F. Use cost-benefit analysis to choose among spending alternatives, such as housing, transportation, and consumer durables.
- G. Identify and analyze pros and cons of alternative actions to deal with credit overextension or other financial difficulties.

Benchmarks for Grade 4

Students will know that:

1. Money is coins, currency, and checkable deposits.
2. Consumers are people who buy goods and services.

3. Goods are tangible things we buy and use.
4. Services are things people do for us.
5. The opportunity cost of spending now is the goods and services that could be consumed in the future.
6. The opportunity cost of saving is the goods and services that could be consumed in the present.
7. Checking accounts are deposits in banks, savings and loan associations, and credit unions upon which checks may be written, or money drawn with an ATM or debit card.
8. A check is a written request (the use of a debit/ATM card is an electronic request) to the bank, savings and loan association, or credit union to subtract a specified amount from a transactions account as payment for a good or service or to withdraw cash.
9. A check register is a book or an electronic file in which the customer records the amount of each check written, to whom it was written, and the amount for which it was written. The customer also records deposits to the account and the amount of debits or withdrawals made using an ATM or debit card.
10. Credit is a loan that must be repaid at a future time usually with a fee.
11. Creditworthy is having the qualities that show the ability to obtain and repay loans.
12. A credit card is a card that allows the holder to make purchases today for which they will pay in the future.
13. Savings accounts are deposits in banks, savings and loan association, or credit unions on which interest is paid.

Students could use this knowledge to:

1. Explain the functions and characteristics of money.
2. Identify times when they or their families are consumers.
3. Identify a list of goods they want to purchase.
4. Identify a list of services they want to purchase.
5. Identify the opportunity cost of a spending decision they've made.
6. Identify the opportunity cost of a saving decision they've made.
7. Explain that checks, ATM cards, and debit cards can be used to withdraw currency or purchase goods and services only if there is money in the account.
8. Write checks.
9. Maintain a check register.
10. Identify various credit situations in their lives (borrowing with lunch money, borrowing paper in class, borrowing library books) and explain that the relationship between a borrower and a lender is based on trust.
11. Explain that creditworthiness is determined by (demonstrated) behavior (in credit use).
12. Identify various types of credit cards. Explain that credit card companies earn revenue when consumers don't pay the full balance on their account each month.
13. Compare the advantages and disadvantages of placing savings in a savings account.

Benchmarks for Grade 8

Students will know the grade 4 benchmarks for this and also that:

1. Capacity is the income available to make repayment; character involves the honesty and reliability of the borrower in meeting financial responsibilities; capital (not to be confused with the economic definition of capital) is a measure of the borrower's financial worth; collateral is property offered and pledged to secure repayment of a loan.
2. An interest rate is the price of money that is borrowed or saved.
3. Simple interest is interest paid or earned only on the principal. Compound interest is interest earned or paid on the principal and on previously earned interest.
4. Using benefit/cost analysis enhances decision making about lending and borrowing.

5. Product information is important to good consumer decision making.
6. There are consumer protection laws that apply to personal finances.

Students could use this knowledge to:

1. Analyze the creditworthiness of loan applicants and identify ways to establish and maintain personal creditworthiness.
2. Compare interest rates on various credit cards and loans as well as interest rates paid on various saving or investment options.
3. Calculate and compare simple interest earnings and compound interest earnings. Explain the benefits of compound interest.
4. Analyze the costs and benefits of borrowing and lending in given situations.
5. Use product information to make an informed choice among alternative products.
6. Identify consumer protection laws and explain how the laws benefit consumers. Explain how consumers can access information and assistance from various agencies such as the Better Business Bureau, National Coalition for Consumer Education, Consumer Product Safety Commission, National Institute for Consumer Education, Federal Trade Commission, and so on.

Benchmarks for Grade 12

Students will know the grade 8 benchmarks for this and also that:

1. A credit report is a record of personal family financial transactions, or credit history, which lenders review in order to see how well you have managed credit in the past.
2. An annual percentage rate (APR) is a measure of the cost of credit on a yearly basis expressed as a percentage rate, including interest, transaction fees, and service fees.
3. A finance charge is the dollar amount paid to use credit. It includes interest, transaction fees, and service fees.
4. The average daily balance is the most common method of calculating interest. The lender adds the amount owed for each day of the billing cycle and divides by the number of days in the billing cycle.
5. The balance is the amount owed to the lender, including purchases, fees, interest, and transaction charges.
6. The grace period is the time, usually about 25 days, in which you can pay your credit card bill without paying a finance charge.
7. A cosigner is an additional person required to assume liability for a loan.
8. Bankruptcy is a financial condition that may result when expenses and obligations consistently exceed income and the ability to make payments.
9. Banks provide customers with a monthly statement of their checking accounts.

Students could use this knowledge to:

1. Explain that a good credit report is important because creditors use the reports to determine future credit worthiness.
2. Compare APRs to determine from whom to borrow.
3. Compare finance charges for various types of loans.
4. Identify the average daily balance on a credit statement.
5. Identify the balance owed on a credit statement.
6. Identify the grace period for a credit account.
7. Explain that a cosigner is responsible for all charges, if the other person fails to pay. Explain why creditors may require a cosigner for a loan.
8. Identify steps people can take when having trouble paying their bills (stop using credit cards to make purchases, notify and make arrangements with creditors, seek credit counseling).
9. Reconcile a monthly checking account statement.

Personal Financial Management Guideline – Saving and Investing

Students will be able to:

- A. Compare the advantages and disadvantages of saving now and saving later.
- B. Explain the importance of short- and long-term saving and financial investment strategies.
- C. Identify and evaluate the risk, return, and liquidity of various saving and investment decisions.
- D. Explain how taxes, government policy/regulation, and inflation impact saving and investment decisions.

Benchmarks for Grade 4

Students will know that:

1. Saving is the part of income not spent on taxes or consumption.
2. The opportunity cost of saving is the goods and services that could be consumed in the present.
3. The opportunity cost of spending now is the goods and services that could be consumed in the future.
4. Banks, savings and loans associations, and credit unions are institutions where people save money and earn interest, and where people borrow money and pay interest.
5. There are various options for saving.
6. Savings accounts are deposits in banks, savings and loan associations, or credit unions on which interest is received.

Students could use this knowledge to:

1. Identify something for which they want to save, decide how much they can save each week, and determine how long it will take them to reach this goal.
2. Identify the opportunity cost of a saving decision they've made.
3. Identify the opportunity cost of a spending decision they've made.
4. Compare the services provided by different banks in their community.
5. Students will compare the advantages and disadvantages of locations to keep their savings, such as in a piggy bank, in a savings account, with their parents, or through the purchase of U.S. savings bonds.
6. Select a community bank and find out the requirement for opening a savings account (fees, minimum balance, and so on) and the rate of interest paid.

Benchmarks for Grade 8

Students will know the grade 4 benchmarks for this and also that:

1. An interest rate is the price of money that is borrowed or saved.
2. Simple interest is paid or earned only on the principal. Compound interest is interest earned or paid on the principal and on previously earned interest.
3. Financial investment is buying assets such as stocks or bonds with the expectation of earning interest or income, or making a profit.
4. Banks and other financial institutions channel funds from savers to borrowers and investors.
5. Short-term financial goals are those people plan to achieve in less than two years.
6. Intermediate-term financial goals are those people plan to achieve in two to five years.
7. Long-term financial goals are those people plan to achieve in more than five years.
8. Inflation is a rise in the average price level.

Students could use this knowledge to:

1. Compare interest rates on various credit cards and loans as well as interest rates paid on various saving or financial investment options.

2. Calculate and compare simple interest earnings and compound interest earnings. Explain the benefits of compound interest.
3. Identify various financial investment alternatives (and describe features of each).
4. Identify financial institutions such as banks, savings and loans, and stock exchange and explain how these institutions channel funds from savers to borrowers and investors.
5. Identify a short-term saving goal for themselves and a plan for achieving it.
6. Identify an intermediate-term saving goal for themselves and a plan for achieving it.
7. Identify a long-term saving goal for themselves and explain a plan for achieving it. Explain that saving decisions require trade-offs between short-term and long-term goals.
8. Explain the effect of inflation on borrowers, savers, and those on fixed income.

Benchmarks for Grade 12

Students will know the grade 4 and grade 8 benchmarks and also that:

1. Liquidity is the ease with which a saving option (or any asset) is convertible to cash.
2. A return is the amount a saver or investor receives from a saving or investment option, usually expressed as a percentage yield.
3. Risk is uncertainty about the future value of an asset.
4. Riskier loans command higher interest rates than safer loans because there is usually a greater chance of default on the repayment of risky loans.
5. Like other prices, interest rates are determined by the forces of supply and demand.
6. The real interest rate is the nominal or current market interest rate minus the expected rate of inflation.
7. Higher real interest rates provide incentives for people and businesses to save more and borrow less. Lower real interest rates provide real incentives for people and businesses to save less and borrow more.
8. Higher interest rates reduce business investment spending and consumer spending on housing, cars, and other major purchases. Policies that raise interest rates can be used to reduce these kinds of spending, while policies that decrease interest rates can be used to increase these kinds of spending.
9. Taxes are economic incentives. When tax policies change, incentives are changed and people's behaviors change.
10. Saving and investment decisions may be influenced by tax policy.
11. Saving and investment decisions may be influenced by government regulation.
12. Financial markets direct savings into financial assets (such as stocks, bonds, and bank accounts) that pay households for the use of their savings.
13. The stock market is a general term referring to the organized trading of securities through the various stock exchanges and the over-the-counter market.
14. Some government agencies, such as the Securities Exchange Commission, and Federal Deposit Insurance Corporation, play a role in protecting savers and investors.

Students could use this knowledge to:

1. Compare the liquidity of various saving and financial investment options.
2. Compare returns on various saving and investment options.
3. Compare the risks and returns associated with various saving and investment strategies. Explain that there's a trade-off between risk and return.
4. Explain why there are usually differences in interest rates for new and used car loans, 15-year versus 30-year mortgages, and for individuals with good versus bad credit ratings.
5. Explain how a change in the demand for loanable funds or the supply of loanable funds will affect interest rates.
6. Collect data on inflation and interest rates for the past 10 years. Use this data to estimate the real rate of interest in these different years.

7. Collect data on interest rates, inflation rates, and new housing starts over the past 20 years. State how changes in interest rates affect people's decision to borrow in order to buy a house.
8. Identify periods over the past 10 years when the Federal Reserve System tried to reduce interest rates in order to increase business investment and consumer spending. Identify examples of government regulations and explain how these regulations influence saving and financial investment decisions.
9. Identify various taxes (income, capital gains, sales) and their impact on people's spending, saving, and investment decisions.
10. Identify changes in tax policy that have occurred in the last 10 years. Explain how these changes may have influenced saving and investment decisions.
11. Identify changes in government regulation over the last 10 years. Explain how these changes may have influenced saving and investment decisions.
12. Identify commercial banks, saving and loans, credit unions, insurance companies, brokerage houses, pension funds, and investment bankers as some of the businesses that are found in financial markets.
13. Identify examples of stock markets (New York Stock Exchange, American Stock Exchange), read and interpret the stock page in a local newspaper.
14. Explain the role of various government agencies in providing information and protection for investors. Students will also be able to access information from these agencies.

APPENDIX B

SURVEY SAMPLE AND QUESTIONNAIRE

2000 JUMPSTART QUESTIONNAIRE & RESULTS

Percentage of students who chose each answer indicated in margin

Asterisk (*) indicates correct answer

1. Which of the following statements best describes your right to check your credit history for accuracy?
 - 5.9 a) you cannot see your credit record
 - 53.0 b) your credit record can be checked at any time for free
 - 31.7 * c) if you are turned down for credit based on a credit report, the record can be checked for free
 - 7.7 d) all credit records are the property of the U.S. Government and access is only available to the FBI and Lenders

2. Which of the following is true about sales taxes?
 - 21.9 a) the federal government will deduct it from your paycheck
 - 48.8 * b) it makes things more expensive for you to buy
 - 2.8 c) you don't have to pay the tax if your income is very low
 - 26.2 d) the national sales tax percentage rate is 6%

3. If you had a savings account at a bank, which of the following would be correct concerning the interest that you would earn on this account?
 - 54.1 a) earnings from savings account interest may not be taxed
 - 15.0 b) sales tax may be charged on the interest that you earn
 - 21.1 * c) income tax may be charged on the interest if your income is high enough
 - 7.7 d) you cannot earn interest until you pass your 18th birthday

4. Which of the following instruments is NOT typically associated with spending?
 - 8.5 a) ATM (Automated Teller Machine) Card
 - 2.5 b) cash
 - 87.3 * c) Certificate of Deposit
 - 1.5 d) credit card

5. Jerry has a good job on the production line of a factory in his hometown. During the past year or two, the state in which Jerry lives has been raising taxes on its businesses to the point where they are much higher than in neighboring states. What effect is this likely to have on Jerry's job?
 - 12.4 a) he is likely to get a large raise to offset the effect of higher taxes
 - 13.2 b) higher business taxes can't have any effect on Jerry's job
 - 12.7 c) higher business taxes will cause more businesses to move into Jerry's state, raising wages
 - 61.2 * d) Jerry's company may consider moving to a lower-tax state, threatening Jerry's job

6. Under which of the following circumstances would it be financially beneficial to you to borrow money to buy something now and repay it with future income?

- 4.0 a) when you really need a two-week vacation
- 5.9 b) when some clothes you like go on sale
- 35.0 c) when the interest on the loan is greater than the interest you get on your savings
- 54.4 * d) when you need to buy a car to get a much better paying job

7. If you have caused an accident, which type of automobile insurance would cover damage to your own car?

- 51.2 * a) collision
- 12.0 b) comprehensive
- 3.3 c) term
- 33.2 d) liability

8. Walter must borrow \$10,000 to complete his college education. Which of the following would NOT be likely to reduce the finance charge rate?

- 19.8 a) if his parents cosigned the loan
- 30.6 b) if his parents took out an additional mortgage on their house for the loan
- 21.6 c) if the loan was insured by the Federal Government
- 27.4 * d) if he went to a state college rather than a private college

9. Tim and Rebecca just had a baby. They received money as baby gifts and want to put it away for the baby's education. Which of the following is likely to have the highest growth over the next 18 years?

- 36.9 a) a U.S. Government savings bond
- 3.0 b) a checking account
- 35.8 c) a savings account
- 23.4 * d) stocks

10. Many people put aside money to take care of unexpected expenses. If Pedro and Susanna have money put aside for emergencies, in which of the following forms would it be of LEAST benefit to them if they needed it right away?

- 10.6 a) checking account
- 11.8 b) savings account
- 28.9 c) stocks
- 48.3 * d) invested in a down payment on the house

11. If you are behind on your debt payments and go to a responsible credit counseling service such as the Consumer Credit Counseling Services, what help can they give you?

- 4.0 a) they can force those who lent you money to forgive all your debts
- 11.6 b) they can get the federal government to apply your income taxes to pay off your debts
- 10.6 c) they can cancel and cut up all of your credit cards without your permission
- 73.4 * d) they can work with those who lent you money to set up a new payment schedule that you can meet

12. Len has just applied for a credit card. He is an 18 year-old high school graduate with few valuable possessions and no credit history. If Len is granted a credit card, which of the following is the most likely way that the credit card company will reduce ITS risk?

- 8.7 a) it will charge Len twice the finance charge rate it charges older cardholders
- 15.4 b) it will require Len to have both parents co-sign for the card
- 7.3 c) it will make Len's parents pledge their home to repay Len's credit card debt
- 67.9 * d) it will start Len out with a small line of credit to see how he handles the account

13. Jim just found a job with a take-home pay of \$950 per month. He must pay \$400 for rent and \$ 100 for groceries each month. He also spends \$ 100 per month on transportation. If he budgets \$50 each month for clothing, \$ 100 for restaurants and \$50 for everything else, how long will it take him to accumulate savings of \$750?

- 69.3 * a) 5 months
- 11.8 b) 10 months
- 9.6 c) 12 months
- 8.7 d) 15 months

14. Mike has saved \$6,000 for his college expenses by working part-time. He plans to start college next year and needs all of the money he saved. Which of the following is the safest place for his college money?

- 2.2 a) locked in his closet at home
- 5.6 b) stocks
- 8.3 c) corporate bonds
- 83.2 * d) a bank savings account

15. Many savings programs are protected by the Federal government against loss. Which of the following is not?

- 32.4 * a) a Bond issued by one of the 50 States
- 45.5 b) a Certificate of Deposit at the bank
- 14.5 c) a U. S. Treasury Bond
- 6.7 d) a U. S. Savings Bond

16. Your take home pay from your job is less than the total amount you earn. Which of the following best describes what is taken out of your total pay?

- 20.0 a) federal income tax, sales tax, and social security contribution
- 15.2 b) federal income tax, property tax, and Medicare and social security contributions
- 8.0 c) social security and Medicare contributions
- 56.1 * d) federal income tax, social security and Medicare contributions

17. Which of the following types of investments would best protect the purchasing power of a family's savings in the event of a sudden increase in inflation?

- 35.1 a) a U.S. Government Savings Bond
- 13.9 b) a Certificate of Deposit at a bank
- 15.6 c) a twenty-five year corporate bond
- 33.5 * d) a house financed with a fixed rate mortgage

18. If you went to college and earned a 4-year degree, how much more money could you expect to earn than if you only had a high school diploma?

- 18.3 a) about 10 times as much
- 52.2 * b) a lot more, about 70% more
- 23.4 c) a little more, about 20% more
- 5.1 d) no more, I would make about the same either way

19. Bob and Cindy are the same age. At age 25, Cindy began saving \$2,000 a year while Bob saved nothing. At age 50, Bob realized that he needed money for retirement and started saving \$4,000 per year while Cindy kept saving her \$2,000. Now they are both 75 years old. Who has the most money in his or her retirement account?

- 7.2 a) Bob, because he saved more each year
- 32.9 b) they would each have the same amount because they put away exactly the same
- 9.1 c) Cindy, because she has put away more money
- 50.3 * d) Cindy, because her money has grown for a longer time at compound interest

20. Which of the following credit card users is likely to pay the GREATEST dollar amount in finance charges per year if they all charge the same amount per year on their cards?

- 15.8 a) Barbara who always pays off her credit card bill in full shortly after she receives it
- 11.4 b) Ellen, who generally pays off her credit card in full, but occasionally will pay the minimum when she is short of cash
- 11.4 c) Nancy, who pays at least the minimum amount each month and more when she has the money
- 60.7 * d) Paul who only pays the minimum amount each month

21. Jack and Ron are young men. Each has a good credit history. They work at the same company and make approximately the same salary. Jack has borrowed \$2,500 to buy a car. Ron has borrowed \$2,500 to take a foreign vacation. Who is likely to pay the lowest finance charge?

20.8 a) they will both pay the same because they have almost identical financial backgrounds

16.7 b) Ron will pay less because people who travel overseas are better risks

43.7 * c) Jack will pay less because the car is collateral for the loan

18.0 d) they will both pay the same because the rate is set by law

22. Inflation can cause difficulty in many ways. Which group would have the greatest problem during periods of high inflation?

11.2 a) young couples with no children who both work

37.7 b) young working couples with children

11.7 c) older, working couples saving for retirement

38.6 * d) older people living on fixed retirement income

23. Which of the following statements is NOT correct about most ATM (Automated Teller Machine) cards?

7.4 a) you must have a bank account to have an ATM Card

4.7 b) you can generally get cash 24 hours a day

11.3 c) you can generally obtain information concerning your bank balance at an ATM machine

75.8 * d) you can get cash anywhere in the world with no fee

24. If your credit card is stolen and the thief runs up a total of \$1,000 but you notify the issuer of the card as soon as you discover it is missing, how much will you be responsible to pay?

63.2 a) none

14.5 * b) \$50

16.5 c) \$1000

5.0 d) \$500

25. Retirement income paid by a company is called:

30.3 a) Social Security

4.4 b) rents & profits

18.9 c) 401k

46.0 * d) pension

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

- 8.8 a) be lower than when she was in college
- 11.3 b) stay the same as when she was in college
- 40.4 c) go up a little from when she was in college
- 38.3 * d) double, at least, from when she was in college

27. Which of the following statements is true?

- 9.4 a) your bad loan payment record with one bank will not be considered if you apply to another bank for a loan
- 13.2 b) people have so many loans it is very unlikely that one bank will know your history with another bank
- 67.4 * c) banks and other lenders share the credit history of their borrowers with each other and are likely to know of any loan payments that you have missed
- 9.2 d) if you missed a payment more than 2 years ago, it cannot be considered in a loan decision

28. Which of the following best describes the primary sources of income for most people age 20-35?

- 11.0 a) profits from business
- 9.5 b) dividends & interest
- 7.7 c) rents
- 71.2 * d) salaries, wages, tips

29. Heather and Alexis are employed by the same company and earn the same pay. Heather spends her free time taking work-related classes to improve her computer skills; while Alexis spends her free time socializing with friends and working out at a fitness center. After five years what is likely to be true?

- 9.1 a) Alexis will make more because she is more social
- 10.9 b) Heather and Alexis will continue to make the same money
- 74.8 c) Heather will make more money because she is more valuable to her company
- 4.7 * d) Alexis will make more because Heather is likely to be laid off

30. If each of the following persons had the same amount of take-home pay, who would need the greatest amount of life insurance?

- 7.6 a) a young single woman without children
- 33.9 b) an elderly retired man, with a wife who is also retired
- 7.2 c) a young married man without children
- 50.6 * d) a young single woman with two young children

31. What is your gender?

- 46.6 a) male
- 53.0 b) female

32. What are your educational plans after high school?

- 1.7 a) no further education is planned
- 16.3 b) attend a 2-year college or junior college
- 68.5 c) attend a 4-year college or university
- 8.0 d) other plans for training or education
- 5.2 e) don't know

33. What is your best estimate of your parents' total income last year? Consider annual income from all sources before taxes.

- 12.9 a) less than \$20,000
- 21.9 b) \$20,000 to \$39,999
- 27.8 c) \$40,000 to \$79,999
- 14.7 d) \$80,000 or more
- 21.6 e) don't know

34. How do you describe yourself?

- 62.4 a) White or Caucasian
- 8.0 b) Black or African-American
- 16.5 c) Hispanic American
- 6.6 d) Asian-American
- 1.9 e) Native American or American Indian
- 3.4 f) Other

35. What is the highest level of schooling your father or mother completed?

- 12.7 a) neither completed high school
- 24.4 b) completed high school
- 24.8 c) some college
- 32.0 d) college graduate or more than college
- 5.6 e) don't know

36. What type of work do you intend to do when you finish school?

- 3.9 a) manual work such as truck driver, laborer, farm worker
- 5.5 b) skilled trade such as plumber, electrician
- 9.8 c) service worker such as secretary, food service worker, office worker, police officer, firefighter
- 61.6 d) professional worker such as nurse, computer programmer, lawyer, doctor, teacher, engineer
- 18.6 e) other or don't know

37. When you start to work full-time, after you finish your education, how much do you expect to make per year before deductions for taxes and other items?

- 3.6 a) under \$15,000
- 7.4 b) \$15,000 to \$19,999
- 21.8 c) \$20,000 to \$29,999
- 51.2 d) \$30,000 or more
- 15.1 e) don't know

38. Whose credit card do you use?

- 9.2 a) my own
- 18.3 b) my parents'
- 2.8 c) both my own and my parents'
- 69.1 d) none, I don't use a credit card

39. Do you have an ATM (Automated Teller Machine) card?

- 31.0 a) yes
- 68.5 b) no

40. Which of the following best describes your automobile driving?

- 19.6 a) I don't have a driver's license
- 3.4 b) I have a driver's license but no car in the family that I can drive
- 7.3 c) I drive the family car, which is used by others, and help pay for the insurance
- 14.6 d) I drive the family car, which is used by others, and don't help pay for the insurance
- 30.6 e) I drive my own car and help pay for the insurance
- 24.1 f) I drive my own car and don't help pay for the insurance

41. How would you describe your employment history?

- 33.7 a) I work full time in the summers and part time during the school year
- 9.4 b) I work full time in the summers and don't work during the school year
- 28.9 c) I work part time in the summers and part time during the school year
- 12.7 d) I work part time in the summers and don't work during the school year
- 14.6 e) I have never been formally employed outside the home

42. What kind of bank account do you have?

- 32.8 a) I don't have a bank account
- 41.0 b) I have a savings account but no checking account
- 7.3 c) I have a checking account but no savings account
- 18.2 d) I have both a savings and a checking account

43. Which of the following is true about your ownership of stocks and mutual funds (circle all that apply)?

- 75.3 a) I own no stocks or mutual funds
- 9.2 b) I own stocks in my own name
- 6.9 c) I own stocks in my parents' name
- 4.7 d) I own mutual funds in my own name
- 3.9 e) I own mutual funds in my parents' name

44. What is your high school class level?

- 100.0 a) senior
- b) junior
- c) sophomore
- d) freshman

45. Compared to other people your age, how much do you feel you know about managing your money?

- 33.1 a) more than most
- 49.3 b) about the same as most
- 9.9 c) less than most
- 6.9 d) don't know

46. Where did you learn most about managing your money?

- 57.4 a) at home from my family
- 12.8 b) at school in class
- 2.1 c) from talking with my friends
- 3.4 d) from magazines, books, TV and the radio
- 23.0 e) from experience in managing my own funds

47. Which of the following classes have you had in high school (circle as many as apply)?

- 14.0 a) an entire course in money management or personal finance
- 22.3 b) a portion of a course (at least a week) in money management or personal finance
- 34.0 c) an entire course in economics
- 22.7 d) a portion of a course (at least a week) in economics
- 24.5 e) a class in which we played the Stock Market Game

48. How often did your parents discuss money matters with you or in front of you?

- 6.7 a) never
- 18.2 b) rarely
- 39.1 c) sometimes
- 34.7 d) often

49. How would you describe the allowance you received when growing up?

- 52.5 a) I did not receive a regular (weekly or monthly) allowance, I was given money only when I needed it
- 35.3 b) I received a regular allowance that depended on the completion of some household chores
- 10.5 c) I received a regular allowance and did not have to perform chores for it

About the Author

Lewis Mandell, Ph.D. is the dean of the State University of New York at Buffalo School of Management. Mandell previously served as the dean of the College of Business Administration and professor of finance at Marquette University. While at Marquette, he established an executive MBA program, a fully funded Family Business Center and a national Institute for Church Management. He also funded and built a high-technology Executive Education Center. Prior to his work at Marquette, Mandell served as associate dean and professor of finance and political science in the school of Business Administration at the University of Connecticut.

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