

Saving ?'s Due

Matching

- a. money market _____ 1 Key to Wealth Building
- b. \$500/\$1,000 in an emergency fund _____ 2 Money is neither good nor bad
- c. 3-6 months of expenses _____ 3 Emergency Fund goes here
- d. pay off debt _____ 4 Interest on Interest on Interest
- e. amoral _____ 5 If it can go wrong, it will; an unexpected event
- f. discipline _____ 6 Baby Step 1
- g. compound interest _____ 7 Baby Step 3
- h. Murphy's Law _____ 8 Saving money for a purchase and letting the interest work for you rather than against you
- i. sink fund
- j. savings account

9. For most people, a fully-funded emergency fund will be about

- a. \$500-\$1,000.
- b. \$3,000-\$5,000.
- c. \$5,000-\$10,000.
- d. \$15,000-\$20,000.

10. Ben & Arthur's saving habits illustrate the advantage of which principle of saving?

- a. Murphy's Law
- b. compound interest
- c. Sink Funds
- d. All of the above

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

- a. The income of Americans is low
- b. Americans save a large amount of their income.
- c. The government doesn't help people enough
- d. Americans spend more than they earn

12. You should save for the following:

- a. emergency fund
- b. purchases
- c. wealth building
- d. All of the above

12.5. Food, shelter, gas and electric are your most important bills and should be your first priority when you receive your check.

- a. True
- b. False

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

- a. A cycle of debt
- b. Missed opportunities of compound interest
- c. Missed opportunities to save and invest
- d. A and B only
- e. All of the above

14. A fee paid by a borrower to the lender or bank for the use of borrowed money is called:

- a. Savings
- b. Sink Fund
- c. Interest
- d. Mortgage

14.5 True financial security is achieved when your saved money begins to generate an income.

- a. True
- b. False

14.9 Name the steps to building wealth.

- 1.
2. Stay out of _____
- 3.
- 4.
- 5.
- 6.
- 7.

15. The following is true about PACs:

- a. stands for Personal Account Coordinator
- b. stands for Pre-Authorized Checking
- c. helps build discipline when saving
- d. both b and c

16. The saving habits of Ben and Arthur help to illustrate the principal of compound interest.

- a. true
- b. false

17. Dave's 80/20 rule says when it comes to money, 80% is head knowledge and 20% is behavior.

- a. true
- b. false

18. Your income level greatly affects your savings habits.

- a. true
- b. false

19. Interest is money paid to a saver by a financial institution.

- a. true
- b. false

20. The correct order for using your money is: pay bills, save, then give.

- a. true
- b. false

Short Answer

21. Why do you think the United States has a negative savings rate? How does this relate to your personal savings habits?

23. Jeremy has been out of school for two years, has a good job, and recently got a raise. He is excited about investing and always puts part of his check into savings. Although he has \$6,500 in debt left to pay, he is making more than the minimum payments and should be debt free in 15 months. Should he continue to save or pay off his debts? Justify your answer.

24. Melissa is about to get a \$200 per month raise. She wants a new television and some furniture. She has \$500 in her savings account and figures with her raise she will have the cash to make her purchases easily within a few months. She also has \$1,000 in available credit remaining on her credit card and is thinking about using it to buy everything now rather than waiting until she has the money. What would you tell Melissa? Justify your answer.