

DAILY ASSESSMENTS: Answer Key

DAY 1: Your Financial Road Map – Getting Started

1. Russell Simmons is referred to as an entrepreneur? Provide a definition or example of an entrepreneur. *(A: An entrepreneur is a person who starts a new business, usually with considerable initiative and risk.)*
2. Identify one wise economic decision that Min made in getting established on his own. *(A: Answers may include: had a goal of how much he wanted to save; made a budget/spending plan; located a bank/ATM near*
3. Name at least one suggestion that financial expert Beth Kobliner gives to D. Woods regarding controlling spending and increasing savings? *(A: Pay Yourself First, automatic deposit, distinguish between needs and wants.)*
4. Besides a bank savings account, what are some other savings accounts mentioned? *(A: 401K, Certificate of Deposit (CD), mutual fund).*
5. One of the financial experts recommended creating a savings cushion (or emergency fund) of about three months of living expenses. Why is this important? *(A: It provided a financial cushion in the event of a financial crisis – like losing a job or having an unexpected expense).*

DAY 2: Financial Planning

1. What is the first step in financial planning? *(A: Identifying your goals)*
2. Name at least two factors contained in a SMART goal. *(A: Specific, Measurable, Attainable, Realistic, Time bound.)*
3. Define deferred (or delayed) gratification. *(A: Giving up something now, to get something better in the future.)*
4. What is your money personality? *(A: Answers will vary)*
5. Often a major decision leads to several smaller ones, sometimes called “satellite decisions.” Can you give an example a how a satellite decision is made? *(A: I save \$200 to buy a new cell phone; now I need to decide which carrier plan I want, which phone I should get; which new cool case; etc).*

DAY 3: Spending Plans

TRUE	FALSE	
	X	A spending plan differs from a budget because it has a longer timeline.
X		Your net income = gross income – taxes.
	X	Your Netflix membership is an example of a variable expense.
	X	Your Netflix membership is an example of a “need.”
	X	The four most common tax deductions on a pay stub are: Federal Income Tax, Social Security Tax, Medicare Tax, and Sales Tax.

DAY 4: Focus on Choices

TRUE	FALSE	
	X	Most uses cars sold by a private parties have a one-year warranty
X		A service contract is designed to avoid costly repairs as a car or truck gets older.
X		A security deposit refers to money held to cover possible damages in an apartment.
	X	An electric bill is commonly considered a fixed living expense
X		A lease is designed to protect the rights of both a tenant and a landlord.

DAY 5: Focus on Financial Services

TRUE	FALSE	
X		Credit Unions are financial institutions owned by their customers.
X		All federally insured banks and credit unions offer insurance protection on your savings up to \$250,000.
	X	Always write checks in pencil, in case you need to make a change.
	X	All checks must be cashed within two weeks of when they were written.
	X	My monthly bank statement tells me the exact amount of money I have in my checking account.

DAY 6: Fringe Banking

Briefly respond to these questions on a sheet of paper:

1. List at least one argument **against** Fringe Banking (Payday Lenders, etc). *(A: They create a cycle of debt that is difficult to get out of; their interest rates are exorbitantly high; they prey on the poor)*
2. List at least one argument in **support** of Fringe Banking. *(A: They provide credit for an underserved population; there are less threatening/imposing as a mainstream bank: they're often open 24hours).*
3. Which side do you think has the strongest case? Why?
4. What is APR? *(A: Annual Percentage Rate. It's the interest rate you pay on a loan).*
5. Name at least one way a debit card differs from a credit card? *(A: It comes directly from your checking account; it requires a PIN; there is no credit limit on it; etc.)*

DAY 7: Focus on Credit – Frontline Video

Briefly answer these questions:

1. Who is Timothy Geithner? (A: Secretary of the Treasury)
2. What is Universal Default? (A: *Universal default happens when a lender enforces default terms (usually imposed on borrowers who have missed payments or exceed balances) on a borrower that has defaulted with another lender. New credit legislation, which went into effect February 22, 2010, prevents credit card issuers from implementing universal default by limiting their ability to raise interest rates on pre-existing balances.*)
3. Is a Payday Lender the same as a bank or a credit union? (A: No)
4. Are debit cards covered under the new credit card legislation? (A: No)
5. *The new credit card legislation imposes a cap on interest rates and fees. T/F? (A: False)*

DAY 8: Focus on Credit

TRUE	FALSE	
X		A car loan is an example of an installment loan .
X		Credit cards have no payoff deadline.
X		The Grace Period on a loan is the amount of time you have before you start accumulating interest.
		The Annual Percentage Rate (APR) tells you the cost of the loan per year as a percentage of the amount borrowed.
X		A Universal Default clause means that a credit card company can increase your interest rate if you make just one late payment – even if it is with a different creditor.

DAY 9: Focus on Credit – New Rules & Credit Scores

Briefly respond to these questions on a sheet of paper:

1. What is the name of the newly formed federal bureau designed to protect credit card consumers? (*Consumer Finance Protection Bureau*)
2. Name at least 2 of the 4 C's of credit? (*Collateral, Capital, Capacity, Character*)
3. Name one person or entity that would look at your credit report, and explain why they would be interested. (A: *Potential mortgage to determine if you would be a safe risk – if you would likely pay back your loan*).
4. Name two strategies for building a good credit score. (*pay bills on time, keeping a low balance on credit cards, don't have too many credit card – or access to credit, the length of time you have credit – so don't change cards frequently, showing that you can manage different kinds of credit --- credit, installment, mortgage,*)
5. Where can you get a free credit report once a year? (A: *www.annualcreditreport.com*)

Day 10: Consumer Awareness - Protection

True	False	
X		If you're a victim of identity theft, it is possible you may not find out for years – until you apply for a loan or credit.
X		Phishing is when a person (or an email message) says there is a problem with your account and requests that you “verify” your information with them.
X		Victims of identity theft should place a fraud alert on their credit file by calling one of the three major credit reporting agencies.
	X	The Fair Credit Act was designed to help the credit card companies determine if a potential consumer was a safe credit risk.
X		The Federal Reserve Bank is the “bank to all the other banks.”

Day 11: Consumer Protection: Consumption

True	False	
X		Materials economy is the system that guides how materials move from extraction to production to distribution to consumption to disposal.
	X	A porcelain coffee mug is an example of planned obsolescence.
X		Perceived obsolescence refers to an object that may continue to be functional, but is no longer perceived to be stylish or appropriate, so it is rendered obsolete,
X		The following are example of strategies advertisers might use to sell their products: <ul style="list-style-type: none">• Bandwagon - an appeal to join the crowd• Omission – important detail about the product are not included• Star Power – when a celebrity says the product is great• Weasel Words - use misleading words or phrases, like “natural flavors...”
X		Companies are spending over \$17 billion per year advertising to youth.

Day 12: Savings & Investing

Briefly answer the following:

1. Use the Rule of 72 to answer the following questions:
 - a. If you save \$500 in an account that pays 3% annual interest, how many years will it take for your savings to double in value? (A: 24 years).

- b. Your aunt gave you \$4,000 for your 10th birthday. You decide to save it to buy a car when you're 18, but by then you think you'll need about \$8,000. What interest is required to allow you to reach your goal? *(A: 9% annual interest)*
2. Explain the importance of compounded interest. *(A: You earn interest on interest; so your savings can grow much faster over time.)*
3. Explain the relationship between risk and reward in investments. *(A: They have a positive relationship – the higher the risk, the higher the reward.)*
4. Why is it important to begin saving money early? *(A: Will vary, but may include the time value of money, the power of compounded interest, to let your money work for you)*

Day 13: Savings & Investing

1. Name one example of an Income Investment. *(A: Savings/checking acct, bonds, CDs, money market acct.)*
2. Name one example of a Growth Investment. *(A: Mutual Fund, Stock, real estate, collectibles, etc.)*
3. Provide an example of a liquid asset. *(A: Savings acct, stocks – anything that can easily be converted to cash; real estate is NOT a liquid asset.)*
4. Explain the concept of dollar cost averaging. *(A: Dollar cost averaging is the practice of investing a fixed amount in the same investment at regular intervals, regardless of how the market is doing.)*
5. Explain the importance of diversification. *(A: Diversification is reducing investment risk by putting money in several different types of investments).*

Day 14: College and Careers

In your own words, briefly answer the following questions:

1. What is the difference between a job and a career? *(A: A job helps you pay the bills, but a career is your chosen occupation – something for which you receive training – school or on-the-job– and will advance in over time).*
2. Name four (4) employee skills that employers are looking for in their employees. *(A: Answers will vary. See list on pg. 98 of Student Guide).*
3. Explain the opportunity cost of choosing college over a job immediately out of high school? *(A: Answers will vary. You will begin earning money immediately; you'll have more time to work, thus earn more money; you'll be gaining on-the-job training; it will likely be a short-term loss).*
4. Explain the opportunity cost of choosing a job over college/training immediately out of high school? *(A: Answers will vary. Studies show that your lifetime earnings will be greater with a college degree (2-yrs or more); you'll gain knowledge and skills you need for the workplace; many jobs/careers require a post-HS degree, etc; It will likely be a long-term loss).*

5. Name a place (website or agency) where you can learn about job growth in your region or state. *(A: Answers may vary depending on the sources you provide, but may include: Nevada Workforce, Department of Employment, Training & Rehabilitation; Bureau of Labor Statistics –www.bls.org; Occupation Outlook Handbook)*