|  |
| --- |
| **True / False** |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. The average propensity to consume is commonly viewed as a key determinant of standard of living.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2. Financial planning can improve your standard of living.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 3. Standard of living is defined as the necessities, comforts, and luxuries desired by an individual or a group.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 4. Personal financial plans help individuals to have the same standard of living across the country.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 5. The most effective way to achieve financial objectives is through financial planning.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 6. Two persons with equal average propensities to consume will not necessarily have equal standards of living because of differences in income.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 7. A person making $35,000 and spending $30,800 has an average propensity to consume of 80%.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 8. Tangible assets are earning assets that are held for the returns they promise.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 9. It is very easy to change your partner's financial style, so there is no need for financial planning to resolve conflicts regarding money matters.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 10. The need for financial planning declines as your income increases.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 11. A good financial plan is completed when one is in his or her 30s and will typically last a lifetime.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 12. Saving $3,000 for a large, flat-screen TV within the next 6 years is an example of a short-term goal.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 13. A financial goal that would be important in all stages of the life cycle is creating and maintaining an emergency fund.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 14. It is not good to discuss about your financial goals and attitudes toward money with your partner.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 15. For most people working in large firms, managing employee benefits are an important part of their financial planning.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 16. Accumulating wealth for later years is called estate planning.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 17. The longer you wait to begin retirement planning, the less you will likely have in your retirement fund.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 18. Tax plans are closely tied to investment plans.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 19. Most people tend to be more liberal about their expenditures during a recession or crisis.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20. You should always spend more than what you earn.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 21. Commission-based financial planners charge fees on the financial products they sell.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 22. Fee-only financial planners charge commission for the products they sell.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 23. Taking advantage of and managing employer sponsored benefits is not included in financial planning.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 24. Recessions and financial crises will not affect any individual directly.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 25. Financial planning takes place in a constant economic environment created by the actions of the government, business, and consumers.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 26. Your purchase, saving, investment, and retirement plans and decisions are influenced only by the present state of the economy.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 27. The government has no influence on other players of the economy.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 28. Living costs remain the same throughout the country.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 29. Geographic factors affect your earning power.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 30. Marital status affects the income level of individuals.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 31. The decisions you make in career planning are independent of the decisions you make in financial planning.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 32. Setting long-term and short-term career goals help in career planning.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | True | |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 33. Career plans should not be revised in any situation.   |  |  |  | | --- | --- | --- | |  | a. | True | |  | b. | False |  |  |  | | --- | --- | | *ANSWER:* | False | |

|  |
| --- |
| **Multiple Choice** |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 34. Personal financial management is important because it:​   |  |  |  | | --- | --- | --- | |  | a. | ​controls inflation. | |  | b. | ​limits consumption. | |  | c. | ​reduces social disparity. | |  | d. | ​makes personal financial goals easier to achieve. | |  | e. | ​reduces economic differences among individuals. |  |  |  | | --- | --- | | *ANSWER:* | d | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 35. ​Financial planning helps us to:   |  |  |  | | --- | --- | --- | |  | a. | ​control inflation. | |  | b. | ​spend wisely. | |  | c. | ​control unemployment rates. | |  | d. | ​obtain a social security number. | |  | e. | ​decrease national debt. |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 36. ​The term most closely associated with quality of life is:   |  |  |  | | --- | --- | --- | |  | a. | ​wealth. | |  | b. | ​consumption. | |  | c. | ​education. | |  | d. | ​standard of living. | |  | e. | ​money. |  |  |  | | --- | --- | | *ANSWER:* | d | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 37. ​ A primary determinant of your quality of life is your:   |  |  |  | | --- | --- | --- | |  | a. | ​tax bill. | |  | b. | ​level of education. | |  | c. | ​wealth. | |  | d. | ​motivation. | |  | e. | ​income potential. |  |  |  | | --- | --- | | *ANSWER:* | c | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 38. ​The average propensity to consume refers to the:   |  |  |  | | --- | --- | --- | |  | a. | dollars of income spent for current consumption. | |  | b. | ​percentage of income saved. | |  | c. | ​expenditure for the basic necessities of life. | |  | d. | ​percentage of income spent for current consumption. | |  | e. | ​fact that people with higher incomes spend more for the necessities of life. |  |  |  | | --- | --- | | *ANSWER:* | d | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 39. ​Becky graduated with a master's degree in Personal Financial Planning. After working two years in a small financial planning firm, Becky earns $60,000 annually and saves $10,000 a year. What is her average propensity to consume?   |  |  |  | | --- | --- | --- | |  | a. | ​16.7% | |  | b. | ​25.5% | |  | c. | ​75.7% | |  | d. | ​83.3% | |  | e. | ​95.5% |  |  |  | | --- | --- | | *ANSWER:* | d | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 40. ​Generally, as income rises, the average propensity to consume:   |  |  |  | | --- | --- | --- | |  | a. | ​stabilizes. | |  | b. | ​drops to zero. | |  | c. | ​regularizes. | |  | d. | ​becomes erratic. | |  | e. | ​decreases. |  |  |  | | --- | --- | | *ANSWER:* | e | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 41. ​\_\_\_\_\_ consists of financial and tangible assets.   |  |  |  | | --- | --- | --- | |  | a. | ​Wealth | |  | b. | ​Utility | |  | c. | ​Consumer price index | |  | d. | ​Flexible-benefit | |  | e. | ​Inflation |  |  |  | | --- | --- | | *ANSWER:* | a | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 42. ​Stocks, bonds and mutual funds are \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | ​physical assets | |  | b. | ​intangible assets | |  | c. | ​fixed assets | |  | d. | national assets​ | |  | e. | ​non-current assets |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 43. ​The last step in the financial planning process is to:   |  |  |  | | --- | --- | --- | |  | a. | ​develop financial plans and strategies to achieve goals. | |  | b. | ​use financial statements to evaluate results of plans and budgets, taking corrective action as required. | |  | c. | ​implement financial plans and strategies. | |  | d. | ​redefine goals and revise plans and strategies as personal circumstances change. | |  | e. | ​periodically develop and implement budgets to monitor and control progress toward goals. |  |  |  | | --- | --- | | *ANSWER:* | d | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 44. ​When setting financial goals, one should typically start by setting:   |  |  |  | | --- | --- | --- | |  | a. | ​short-term goals. | |  | b. | ​intermediate-term goals. | |  | c. | ​long-term goals. | |  | d. | ​goals that are not time-bound. | |  | e. | ​goals that are unrealistic. |  |  |  | | --- | --- | | *ANSWER:* | c | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 45. ​Which of the following goals is stated in a way that is most useful for developing a financial plan?   |  |  |  | | --- | --- | --- | |  | a. | ​Make a $12,000 down payment on an automobile in 4 years. | |  | b. | ​Retire with a comfortable lifestyle in 25 years. | |  | c. | ​Buy a $125,000 house. | |  | d. | ​Purchase a $40,000 boat. | |  | e. | ​Join the country club when retired in 20 years. |  |  |  | | --- | --- | | *ANSWER:* | a | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 46. ​Money is:   |  |  |  | | --- | --- | --- | |  | a. | ​the reason for all transactions. | |  | b. | ​a medium of exchange. | |  | c. | ​the purpose of our economy. | |  | d. | ​a medium of consumption. | |  | e. | ​a measure of propensity to consume. |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 47. ​Financial plans include setting goal dates that are:   |  |  |  | | --- | --- | --- | |  | a. | ​dates in the future when the goals are expected to be achieved. | |  | b. | ​dates in the future when the goals will be compared with other goals that have already been achieved. | |  | c. | ​dates in the past when the goals were achieved. | |  | d. | ​dates in the past when the goals were set. | |  | e. | ​dates in the future when the goals will be discussed with the family members. |  |  |  | | --- | --- | | *ANSWER:* | a | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 48. ​Which of the following is true about setting long-term goals?   |  |  |  | | --- | --- | --- | |  | a. | ​The goals should be very ambitious. | |  | b. | ​The goals should be realistic. | |  | c. | ​The goals should be to exhaust the surplus funds. | |  | d. | ​The goals should be very conservative. | |  | e. | ​The goals should be set each year. |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 49. ​\_\_\_\_\_ can be one of the most emotional issues in any relationship, including that with a partner, parents, or children.   |  |  |  | | --- | --- | --- | |  | a. | ​Utility | |  | b. | ​Economic cycle | |  | c. | ​Fiscal policy | |  | d. | ​Money | |  | e. | ​Gross domestic product |  |  |  | | --- | --- | | *ANSWER:* | d | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 50. ​The best way to resolve money disputes is to:   |  |  |  | | --- | --- | --- | |  | a. | ​never discuss money matters with family and only one person in the family should make the financial decisions. | |  | b. | ​communicate consistently about it with family and be willing to compromise. | |  | c. | ​take financial decisions independently and individuals should not interfere in other family members' financial matters. | |  | d. | ​take a third party's opinion, who is not a part of the family, to resolve the disputes. | |  | e. | ​always handle the money disputes of a family according to the local state law. |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 51. ​\_\_\_\_\_ is an important part of the conflict resolution process regarding money matters in families.   |  |  |  | | --- | --- | --- | |  | a. | ​Life cycle analysis | |  | b. | ​Personality development | |  | c. | ​Financial planning | |  | d. | ​Personal counselling | |  | e. | ​Stress management |  |  |  | | --- | --- | | *ANSWER:* | c | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 52. ​Knowing what you need to accomplish \_\_\_\_\_, and how you intend to do it, gives you an edge over someone who merely reacts to monetary events as they unfold.   |  |  |  | | --- | --- | --- | |  | a. | ​socially | |  | b. | ​physically | |  | c. | ​financially | |  | d. | ​legally | |  | e. | ​politically |  |  |  | | --- | --- | | *ANSWER:* | c | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 53. ​The most important financial planning for young people concerns:   |  |  |  | | --- | --- | --- | |  | a. | ​career. | |  | b. | ​insurance. | |  | c. | ​investment. | |  | d. | ​taxes. | |  | e. | ​retirement. |  |  |  | | --- | --- | | *ANSWER:* | a | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 54. ​Martha is 60 and has a very high net worth. Her most important financial concern is probably her:   |  |  |  | | --- | --- | --- | |  | a. | ​career. | |  | b. | ​employee benefits. | |  | c. | ​estate. | |  | d. | ​insurance. | |  | e. | ​savings. |  |  |  | | --- | --- | | *ANSWER:* | c | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 55. ​Employee benefits may include:   |  |  |  | | --- | --- | --- | |  | a. | ​asset purchase. | |  | b. | ​estate management. | |  | c. | ​investment advice. | |  | d. | ​pension payments. | |  | e. | ​medical services. |  |  |  | | --- | --- | | *ANSWER:* | d | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 56. ​Tax planning is most commonly done to:   |  |  |  | | --- | --- | --- | |  | a. | ​determine the tax penalty. | |  | b. | ​evade taxes. | |  | c. | ​minimize taxes. | |  | d. | ​pay extra taxes. | |  | e. | ​learn the tax code. |  |  |  | | --- | --- | | *ANSWER:* | c | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 57. ​Estate planning involves:   |  |  |  | | --- | --- | --- | |  | a. | ​considering how your wealth can be most effectively passed on to heirs. | |  | b. | ​payment of all back taxes to ensure minimum tax liability. | |  | c. | ​dissolution of all privately held corporations by filing bankruptcy under Chapter 13. | |  | d. | ​valuation and auctioning of your valuables by hiring a professional tax planner. | |  | e. | ​planning for retirement and medical insurance. |  |  |  | | --- | --- | | *ANSWER:* | a | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 58. ​Ideally, retirement planning should begin:   |  |  |  | | --- | --- | --- | |  | a. | ​during the year before retirement. | |  | b. | ​when the last child has left home. | |  | c. | ​as soon as the mortgage is paid off. | |  | d. | ​when you get married. | |  | e. | ​as soon as one starts earning. |  |  |  | | --- | --- | | *ANSWER:* | e | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 59. ​Professional financial planners:   |  |  |  | | --- | --- | --- | |  | a. | ​provide their services on fees and commission basis. | |  | b. | ​are only for wealthy investors who have a net worth above one billion dollars. | |  | c. | ​are skilled at offering simple solutions to complex financial problems. | |  | d. | ​make financial decisions for investors. | |  | e. | ​are best utilized during retirement years. |  |  |  | | --- | --- | | *ANSWER:* | a | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 60. ​People's incomes tend to be at the peak during their \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | ​early childhood stage | |  | b. | ​career development stage | |  | c. | ​pre-retirement stage | |  | d. | ​high school and college stage | |  | e. | ​pre-family independence stage |  |  |  | | --- | --- | | *ANSWER:* | c | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 61. ​Health and disability insurance is also covered under:   |  |  |  | | --- | --- | --- | |  | a. | ​asset acquisition planning. | |  | b. | ​tax planning. | |  | c. | ​retirement planning. | |  | d. | ​estate planning. | |  | e. | ​employee benefit planning. |  |  |  | | --- | --- | | *ANSWER:* | e | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 62. ​Which of the following is included in the employee benefits package?   |  |  |  | | --- | --- | --- | |  | a. | Estate plans​ | |  | b. | ​Pension plans | |  | c. | ​Federal plans | |  | d. | ​Personal plans | |  | e. | ​Bankruptcy plans |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 63. ​Which of the following is true about investments?   |  |  |  | | --- | --- | --- | |  | a. | ​As income increases, the need for investment decreases. | |  | b. | ​Keeping money in savings account is a form of investment. | |  | c. | ​Higher returns on investment will lead to accumulation of lesser wealth. | |  | d. | ​An investment is measured by the amount of debt we incur. | |  | e. | ​The length of time for which the money is invested is important. |  |  |  | | --- | --- | | *ANSWER:* | e | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 64. ​Ben invests $10,000 at a rate of interest of 5 percent for 40 years. Which of the following is true about the interest received on the investment?   |  |  |  | | --- | --- | --- | |  | a. | ​Ben will receive more money at the end of 30 years compared to the money received at the end of 40 years. | |  | b. | ​Ben will receive more money at 3 percent rate of interest instead of the existing rate. | |  | c. | ​Ben will receive an interest of $5,000 at the end of ten years. | |  | d. | ​Ben will receive no interest on his investment at the end of the investment period. | |  | e. | ​Ben will receive a significant amount at the end of the investment period, due to the feature of compounding. |  |  |  | | --- | --- | | *ANSWER:* | e | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 65. ​Which of the following will legitimately reduce an investor's tax liability?   |  |  |  | | --- | --- | --- | |  | a. | ​Tax evasion | |  | b. | ​Tax shelter | |  | c. | ​Deferred tax liability | |  | d. | ​Deferred tax asset | |  | e. | ​Tax portfolio |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 66. ​Which of the following practices will help to survive in a financial crisis?   |  |  |  | | --- | --- | --- | |  | a. | ​Spend more than you earn to maintain a good lifestyle. | |  | b. | ​Keep investing so your money continues to work toward your goals. | |  | c. | ​Emergency funds should be kept as a last priority while saving for future. | |  | d. | ​Financial plans should be made only when you reach higher tax brackets. | |  | e. | ​Tax planning should not be done using tax shelters. |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 67. Which of the following is true about the effects of an economic recession?​   |  |  |  | | --- | --- | --- | |  | a. | ​Increase in the standard of living | |  | b. | ​Reduction in the amount of taxes paid | |  | c. | ​Increase in spending | |  | d. | ​Decrease in the value of retirement accounts | |  | e. | ​Increase in the value of insurance purchase |  |  |  | | --- | --- | | *ANSWER:* | c | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 68. ​\_\_\_\_\_ provide the roadmap for achieving your monetary goals.   |  |  |  | | --- | --- | --- | |  | a. | ​Political plans | |  | b. | ​Social plans | |  | c. | Financial plans​ | |  | d. | ​Technological plans | |  | e. | ​Legal plans |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 69. ​In addition to discussing your financial goals with your partner, you must allocate responsibility for \_\_\_\_\_ tasks and decisions.   |  |  |  | | --- | --- | --- | |  | a. | ​skill management | |  | b. | ​stress management | |  | c. | ​household management | |  | d. | ​money management | |  | e. | ​business cycle management |  |  |  | | --- | --- | | *ANSWER:* | d | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 70. ​The three key groups in the economic environment are:   |  |  |  | | --- | --- | --- | |  | a. | ​government, regulation, and business. | |  | b. | ​government, consultants, and business. | |  | c. | ​consumers, economists, and business. | |  | d. | ​consumers, business, and managers. | |  | e. | ​government, consumers, and business. |  |  |  | | --- | --- | | *ANSWER:* | e | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 71. ​The Government places controls on the personal financial environment by the use of:   |  |  |  | | --- | --- | --- | |  | a. | ​taxation and leverage policy. | |  | b. | ​taxation and regulation. | |  | c. | ​taxation and competition. | |  | d. | ​regulation and competition. | |  | e. | ​regulation and fiscal policy. |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 72. ​\_\_\_\_\_ provide(s) goods and services.   |  |  |  | | --- | --- | --- | |  | a. | ​Businesses | |  | b. | ​The Government | |  | c. | ​The Federal Bureau of Investigation | |  | d. | ​The Central Bank | |  | e. | ​Consumers |  |  |  | | --- | --- | | *ANSWER:* | a | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 73. The amount of goods and services each dollar buys at a given point in time is:​   |  |  |  | | --- | --- | --- | |  | a. | ​inflation. | |  | b. | ​the consumer price index. | |  | c. | ​purchasing power. | |  | d. | ​the gross domestic product. | |  | e. | ​opportunity cost |  |  |  | | --- | --- | | *ANSWER:* | c | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 74. ​The individual consumer is:   |  |  |  | | --- | --- | --- | |  | a. | ​a member of the business group. | |  | b. | ​the central player in the financial planning environment. | |  | c. | ​an important force in the government. | |  | d. | ​an advocacy group that fights corruption in the government. | |  | e. | ​relatively unimportant to business or the government. |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 75. ​A strong economy leads to:   |  |  |  | | --- | --- | --- | |  | a. | ​lower inflation. | |  | b. | ​lower interest rates. | |  | c. | ​higher employment. | |  | d. | ​lower productivity. | |  | e. | ​higher unemployment. |  |  |  | | --- | --- | | *ANSWER:* | c | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 76. ​The stage in which the economy hits a peak is called:   |  |  |  | | --- | --- | --- | |  | a. | ​expansion. | |  | b. | ​contraction. | |  | c. | ​stagnation. | |  | d. | ​recession. | |  | e. | ​depression. |  |  |  | | --- | --- | | *ANSWER:* | a | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 77. ​Which of the following statements is true if the average inflation rate is 5 percent per year and the real salary of Andy has declined?   |  |  |  | | --- | --- | --- | |  | a. | ​The purchasing power of Andy will increase. | |  | b. | ​The annual growth rate in Andy's salary is less than 5 percent. | |  | c. | ​Employment opportunities for Andy will increase. | |  | d. | ​The annual growth in Andy's salary is equal to the average inflation rate. | |  | e. | ​The cost of borrowing for Andy will be less than 5 percent. |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 78. ​Inflation refers to:   |  |  |  | | --- | --- | --- | |  | a. | ​rising prices. | |  | b. | ​declining interest rates. | |  | c. | ​increasing tax rates. | |  | d. | ​increasing stock index. | |  | e. | ​declining GDP. |  |  |  | | --- | --- | | *ANSWER:* | a | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 79. An economy will usually go into a(n) \_\_\_\_\_ after a peak.​   |  |  |  | | --- | --- | --- | |  | a. | ​convolution | |  | b. | ​expansion | |  | c. | ​contraction | |  | d. | ​recovery | |  | e. | ​prosperity |  |  |  | | --- | --- | | *ANSWER:* | c | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 80. ​The financial crisis of 2008 and 2009 is best characterized as a \_\_\_\_\_.   |  |  |  | | --- | --- | --- | |  | a. | ​recession | |  | b. | ​depression | |  | c. | ​hyperdeflation | |  | d. | ​business peak | |  | e. | ​bubble |  |  |  | | --- | --- | | *ANSWER:* | a | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 81. ​Understanding the economic environment will allow you to make better \_\_\_\_\_ decisions.   |  |  |  | | --- | --- | --- | |  | a. | ​social | |  | b. | ​political | |  | c. | ​technological | |  | d. | ​financial | |  | e. | ​legal |  |  |  | | --- | --- | | *ANSWER:* | d | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 82. ​The \_\_\_\_\_ environment of your country affects the interest rates you pay on your mortgage and credit cards as well as those you earn on savings accounts and bonds.   |  |  |  | | --- | --- | --- | |  | a. | ​economic | |  | b. | ​political | |  | c. | ​technological | |  | d. | ​social | |  | e. | ​legal |  |  |  | | --- | --- | | *ANSWER:* | a | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 83. ​Typically, people with low incomes tend to be:   |  |  |  | | --- | --- | --- | |  | a. | ​educated. | |  | b. | ​very old. | |  | c. | ​childless. | |  | d. | ​married. | |  | e. | ​employed. |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 84. ​Salaries could vary across geographical areas because of:   |  |  |  | | --- | --- | --- | |  | a. | ​legal costs. | |  | b. | ​living costs. | |  | c. | ​social costs. | |  | d. | ​psychological costs. | |  | e. | ​technological costs. |  |  |  | | --- | --- | | *ANSWER:* | b | |

|  |
| --- |
| **Completion** |

|  |  |  |
| --- | --- | --- |
| 85. The best way to achieve your financial objectives is to \_\_\_\_\_\_\_\_\_.  A. save every extra dollar you can.  B. spend the money at once to reach the objectives swiftly.  C. develop a sound financial plan.  D. create a good tax evasion strategy.   |  |  | | --- | --- | | *ANSWER:* | develop a sound financial plan. | |

|  |  |  |
| --- | --- | --- |
| 86. \_\_\_\_\_\_\_\_\_ help(s) in making decisions regarding retirement.  A. Financial plans  B. Average propensity to consume  C. Intangible assets  D. Standard of living   |  |  | | --- | --- | | *ANSWER:* | Financial plans | |

|  |  |  |
| --- | --- | --- |
| 87. Purchase of a car is an example of \_\_\_\_\_\_\_\_\_.  A. current consumption  B. social conservation  C. tax exemption  D. economic contraction   |  |  | | --- | --- | | *ANSWER:* | current consumption | |

|  |  |  |
| --- | --- | --- |
| 88. \_\_\_\_\_\_\_\_\_ would be considered an example of financial assets.  A. A home  B. Stocks  C. Cars  D. Jewelry   |  |  | | --- | --- | | *ANSWER:* | Stocks | |

|  |  |  |
| --- | --- | --- |
| 89. One trend with a profound effect on people's standard of living is the \_\_\_\_\_\_\_\_\_ which requires greater responsibility to manage money wisely.  A. single-income family  B. two-income family  C. no-income family  D. retirement-income family   |  |  | | --- | --- | | *ANSWER:* | two-income family | |

|  |  |  |
| --- | --- | --- |
| 90. A carefully developed financial plan should save a portion of \_\_\_\_\_\_\_\_\_ for deferred, future spending.  A. rental expense  B. tax expense  C. current income  D. future income   |  |  | | --- | --- | | *ANSWER:* | current income | |

|  |  |  |
| --- | --- | --- |
| 91. Regardless of income or wealth, setting aside some portion of current income regularly for future use helps in developing good \_\_\_\_\_\_\_\_\_.  A. saving habits  B. spending habits  C. planning habits  D. acquiring habits   |  |  | | --- | --- | | *ANSWER:* | saving habits | |

|  |  |  |
| --- | --- | --- |
| 92. Most families find it difficult to discuss \_\_\_\_\_\_\_\_\_.  A. money matters  B. economic matters  C. social matters  D. political matters   |  |  | | --- | --- | | *ANSWER:* | money matters | |

|  |  |  |
| --- | --- | --- |
| 93. Personal \_\_\_\_\_\_\_\_\_ is a systematic process that considers important elements of an individual's monetary affairs in order to fulfill monetary goals.  A. conflict resolving  B. financial planning  C. standard of living  D. legal counselling   |  |  | | --- | --- | | *ANSWER:* | financial planning | |

|  |  |  |
| --- | --- | --- |
| 94. \_\_\_\_\_\_\_\_\_ would be considered to be real property.  A. Stocks  B. A house  C. Cash  D. Bonds   |  |  | | --- | --- | | *ANSWER:* | House | |

|  |  |  |
| --- | --- | --- |
| 95. Income tends to \_\_\_\_\_\_\_\_\_ between the ages of 65 and 80.  A. increase  B. decrease  C. stabilize  D. fluctuate   |  |  | | --- | --- | | *ANSWER:* | decrease | |

|  |  |  |
| --- | --- | --- |
| 96. If you start investing in an IRA at the age of 30 for 10% upto the age of 65, you will get more returns compared to \_\_\_\_\_\_\_\_\_.  A. investing from the age of 25  B. investing at 12%  C. investing for 45 years  D. investing upto the age of 60   |  |  | | --- | --- | | *ANSWER:* | investing upto the age of 60 | |

|  |  |  |
| --- | --- | --- |
| 97. Tax planning is most common among individuals with \_\_\_\_\_\_\_\_\_.  A. low income  B. high income  C. no income  D. erratic income   |  |  | | --- | --- | | *ANSWER:* | high income | |

|  |  |  |
| --- | --- | --- |
| 98. In \_\_\_\_\_\_\_\_\_, the employer allocates a certain amount of money to each employee and lets the employee spend that money for the benefits that suit him or her.  A. cafeteria plans  B. fixed-benefit plans  C. estate plans  D. profit-sharing plans   |  |  | | --- | --- | | *ANSWER:* | cafeteria plans | |

|  |  |  |
| --- | --- | --- |
| 99. A decrease in the gross domestic product would indicate that our economy is in a(an)\_\_\_\_\_\_\_\_\_.  A. expansion  B. contraction  C. deflation  D. stagflation   |  |  | | --- | --- | | *ANSWER:* | contraction | |

|  |  |  |
| --- | --- | --- |
| 100. Following an economic trough, the economy will often enter a period of \_\_\_\_\_\_\_\_\_.  A. expansion  B. contraction  C. deflation  D. stagflation   |  |  | | --- | --- | | *ANSWER:* | expansion | |

|  |  |  |
| --- | --- | --- |
| 101. The Consumer Price Index is a measure of \_\_\_\_\_\_\_\_\_.  A. unemployment  B. inflation  C. stagnation  D. recession   |  |  | | --- | --- | | *ANSWER:* | inflation | |

|  |  |  |
| --- | --- | --- |
| 102. Your salary will be higher if you live in a(n).\_\_\_\_\_\_\_\_\_area.  A. metropolitan  B. overpopulated  C. industrial  D. rural   |  |  | | --- | --- | | *ANSWER:* | metropolitan | |

|  |  |  |
| --- | --- | --- |
| 103. Heads of households who earn more annual income have better \_\_\_\_\_\_\_\_\_.  A. social skills  B. education  C. political skills  D. health   |  |  | | --- | --- | | *ANSWER:* | education | |

|  |  |  |
| --- | --- | --- |
| 104. Our \_\_\_\_\_\_\_\_\_ is an important factor in determining how well we live.  A. income  B. marital status  C. credit  D. deflation   |  |  | | --- | --- | | *ANSWER:* | income | |

|  |  |  |
| --- | --- | --- |
| 105. A person's \_\_\_\_\_\_\_\_\_ leads to increase in income potential in his or her career.  A. formal education  B. social status  C. marital status  D. corporate loyalty   |  |  | | --- | --- | | *ANSWER:* | formal education | |