



Competency-Based  
Competitive Events  
\*Written Exam\*

2025 HS ICDC  
Booklet Number \_\_\_\_\_

# Personal Financial Literacy Exam

PFL – Personal Financial Literacy Event

INSTRUCTIONS: This is a timed, comprehensive exam for the occupational area identified above. Do not open this booklet until instructed to do so by the testing monitor. You will have \_\_\_\_\_ minutes to complete all questions.

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1. Which of the following statements about hard inquiries is true:
  - A. They remain on your credit report for two years.
  - B. They do not affect your credit score.
  - C. They typically don't require your permission.
  - D. They can happen at any time.
2. Which of the following is an example of an intangible job benefit:
  - A. Work-life balance
  - B. Medical insurance
  - C. Retirement plans
  - D. Performance incentives
3. Which of the following is a job where an employee's wages depend on their productivity:
  - A. Real estate agent
  - B. Nurse
  - C. Teacher
  - D. Accountant
4. Xavier is covered under his parents' health insurance. He is a
  - A. dependent.
  - B. liability.
  - C. carrier.
  - D. premium.
5. Caris receives a suspicious email from an unfamiliar account. The email asks Caris to submit his financial information to claim his refund for a purchase he recently made. This scenario is likely an example of
  - A. backlinks.
  - B. predatory pricing.
  - C. phishing.
  - D. slander.
6. Brandon sees an exciting advertisement for a new bike and feels compelled to buy it. Before deciding, Brandon asks himself: "Do I really need this, or am I just being swayed by clever marketing?" What responsible financial decision-making skill is Brandon demonstrating?
  - A. Understanding needs and wants
  - B. Setting a budget and sticking to it
  - C. Reading the fine print
  - D. Utilizing comparison tools
7. Angie wants to ensure she can afford short-term financial goals and unexpected expenses, such as car repairs or medical bills. Which of the following would help her accomplish this goal:
  - A. Contribute money to a savings account
  - B. Use only her credit card to build credit
  - C. Invest money in the stock market
  - D. Take out a loan from the bank

8. Which of the following federal agencies works to make financial products safe for consumers by educating and informing them, supervising banks and credit unions, and studying consumer behavior:
- A. Consumer Product Safety Commission
  - B. Federal Trade Commission
  - C. Consumer Financial Protection Bureau
  - D. Federal Deposit Insurance Corporation
9. A factor that can influence the cost of homeowners insurance is
- A. the number of cars you own.
  - B. the city in which you were born.
  - C. your claims history.
  - D. your education level.
10. Liam is considering different retirement plans. He expects to be in a higher tax bracket when he retires. His company offers a traditional 401(k) plan without matching. Which of the following options makes the most sense for Liam:
- A. Education savings plan
  - B. Traditional IRA
  - C. 401(k)
  - D. Roth IRA
11. Which of the following laws requires that investors receive financial and other significant information concerning securities being offered for public sale and prohibits deceit, misrepresentations, and other fraud in the sale of securities:
- A. Investment Company Act of 1940
  - B. Securities Act of 1933
  - C. Sarbanes-Oxley Act of 2002
  - D. Trust Indenture Act of 1939
12. Nicole purchased an expensive guitar because she believed it would be worth more in the future. However, the guitar only became more affordable in the years that followed. This scenario illustrates the \_\_\_\_\_ nature of investing in collectibles.
- A. no-risk
  - B. medium-risk
  - C. low-risk
  - D. high-risk
13. Nadi wants to open a savings account. She has a lump sum of money that she does not plan on withdrawing for at least a year and wants to earn the most possible interest in that period. Which of the following savings accounts would make the most sense for her:
- A. High-yield savings account
  - B. Money market account
  - C. Standard savings account
  - D. Certificate of deposit

14. Which of the following scenarios is an example of insurance fraud:
- A. A tree branch damages Jada's house, so she files an insurance claim.
  - B. Isaac exaggerates the value of the watch that was stolen from his home.
  - C. Eric scratches another car in a parking lot but does not report it to the police.
  - D. Kelley is injured in a car accident and files a claim with his insurance.
15. Kimberly has never missed a rent, car, credit card, or student loan payment. She knows she has a good credit score, which improves her chances of being approved for a mortgage loan. However, when she checks her credit report, she finds that she has a low credit score due to one of the agencies mishandling her report. This scenario demonstrates the importance of
- A. making minimum payments on credit cards.
  - B. paying rent on time.
  - C. validating your credit history.
  - D. filing your taxes early.
16. Which of the following best demonstrates non-contributory employee benefits:
- A. Phil's employer pays 100% of his insurance premiums.
  - B. Osamu pays 100% of his insurance premiums.
  - C. Tina's company pays a portion of her premiums.
  - D. Mia's organization does not offer health insurance.
17. Aria has money in a savings account. Her nominal interest rate recently increased to 2.13%. The inflation rate is currently 2.35%. Considering only these rates and assuming everything else stays the same, what can be said about the value of Aria's money next year?
- A. It will stay the same.
  - B. It will increase.
  - C. It will decrease.
  - D. It will be unpredictable.
18. Robin recently lost his job and has struggled to find new employment. As a result, he fell behind on his car payments. After several months of missed payments, the bank that provided his car loan took action and sent a tow truck to Robin's home to take his car. This scenario is an example of
- A. foreclosure.
  - B. repossession.
  - C. embezzlement.
  - D. wage garnishment.
19. Every time he watches his favorite show, Zayn sees a character drinking soda. The next time he goes shopping, he craves a soda and purchases it. This best demonstrates the power of which type of advertising media?
- A. Email advertising
  - B. Product placement
  - C. Spectaculars
  - D. Specialty media

20. Isayah inadvertently hit a tree while avoiding a deer during his drive to work. Which type of insurance would likely cover the repair costs?
- A. Property damage liability insurance
  - B. Collision insurance
  - C. Personal injury protection insurance
  - D. Bodily injury liability insurance
21. Fernando is deciding whether to contribute to a Roth IRA or his organization's 401(k), which offers a 6% match. He expects to be in a lower tax bracket at retirement. Based on this information, what should he choose and why?
- A. The 401(k) because he will only pay 6% in taxes, unlike the Roth IRA
  - B. The Roth IRA because the 401(k) would increase his taxes annually
  - C. The Roth IRA because he will be in a lower tax bracket at retirement
  - D. The 401(k) because his company will match 6% of his contribution
22. What is the main reason why corporations issue stock?
- A. To raise funds to operate their business
  - B. To increase the salaries of employees
  - C. To attract customers and increase sales
  - D. To save money and reduce operational expenses
23. Which of the following investment options carries the greatest risk but also the greatest return potential:
- A. Savings account
  - B. Real estate
  - C. Certificate of deposit
  - D. Mutual fund
24. An unsecured loan is different than a secured loan in that an unsecured loan
- A. requires the borrower to pledge a valuable possession as collateral.
  - B. does not require the borrower to put up collateral.
  - C. is usually made for longer periods of time than secured loans.
  - D. may have slightly lower interest rates than secured loans.
25. Which of the following best describes term life insurance:
- A. It lasts for the lifetime of the policyholder.
  - B. It covers a set period of time, often 10–40 years.
  - C. It is based on market interest rates.
  - D. It offers premiums that will increase during the term.
26. Adam made \$89,000 this year and paid \$13,000 in deductions. What is his taxable income?
- A. \$76,000
  - B. \$89,000
  - C. \$13,000
  - D. \$44,500

27. While driving in an ice storm, Akira was forced to slam on his brakes due to an unexpected traffic jam. However, his car slid on the ice and he rear-ended another car. Although the person in the other car was OK, Akira suffered a concussion and a broken wrist from the accident. Even though he was technically at fault for the accident, his insurance covered his medical bills. What type of insurance does Akira likely have?
- A. Renters insurance
  - B. Comprehensive insurance
  - C. Gap insurance
  - D. Personal injury protection insurance
28. Maheen is deciding whether to put her money into a traditional or Roth IRA for retirement. Which of the following would be a reason to pick the Roth IRA:
- A. Her current income is too high to qualify for a traditional IRA.
  - B. She plans to begin making withdrawals when she is 65 years old.
  - C. The contribution limit for a traditional IRA is too low for Maheen to benefit.
  - D. She thinks her income will be higher by the time she makes withdrawals.
29. Laken hears on the news that low interest rates have caused an increase in loans. She also notices that her bank recently increased its rates on savings accounts. How might these two events be related?
- A. The increase in rates is likely due to low inflation caused by the increase in borrowing.
  - B. The Federal Reserve likely ordered banks to increase rates to slow borrowing and inflation.
  - C. The increase in loans raised rates on savings accounts by encouraging saving over borrowing.
  - D. Banks needed to fund the increase in loans, causing them to raise rates to attract deposits.
30. How do robo-advisors who provide personalized investment advice and management services impact the investing landscape?
- A. They influence investors to be more conservative.
  - B. They influence investors to make riskier decisions.
  - C. They increase accessibility to the market.
  - D. They help users cheat the market.
31. Which of the following is a disadvantage of mutual funds:
- A. There is little diversification in investments.
  - B. There is no FDIC guarantee.
  - C. There is no professional management.
  - D. They are high risk in nature.
32. Which of the following best describes a federal student loan:
- A. They are more expensive than private student loans.
  - B. They can be made by banks and credit unions.
  - C. They typically require payments while still in school.
  - D. They are made by the government.

33. If someone breaks into the apartment you are leasing and steals some of your personal property, what type of insurance would cover your personal belongings?
- A. Homeowners
  - B. Travel
  - C. Property
  - D. Renters
34. Javier owns a bakery and inflation has driven up prices at his business, forcing him to notify customers and update his website and online ordering forms. These expenses are called
- A. price indexes.
  - B. supply shocks.
  - C. commodities.
  - D. menu costs.
35. Which of the following is an advantage of a mortgage loan that requires no down payment:
- A. You don't have to worry about additional fees.
  - B. You can buy a house sooner.
  - C. You'll have more equity in your purchase.
  - D. You'll pay less interest over the life of the loan.
36. Johann wants to start saving part of his income but doesn't know where to start. What would be a reasonable first step to take?
- A. Put one-third of his income into a Roth IRA.
  - B. Take out a loan to put into a savings account.
  - C. Stop spending any money for one month.
  - D. Track expenses for one month to start a budget.
37. Lars, a senior in high school, is planning on applying to three colleges. Before he applies to each, what should Lars do first?
- A. Apply for a grant
  - B. Complete the FAFSA
  - C. Take out a private loan
  - D. Take the SAT
38. Which of the following are factors that typically impact the cost of car insurance premiums:
- A. Religion and location
  - B. Color of the car and credit score
  - C. Age and the vehicle's previous owner
  - D. Annual mileage and vehicle type
39. Which of the following statements about employment status and the economy is true:
- A. As unemployment decreases, financial hardship increases.
  - B. As employment decreases, business profits increase.
  - C. As employment increases, spending increases.
  - D. As unemployment increases, production increases.

40. It takes Janvi seven years to pay off a loan of \$4,000 with a 4% interest rate per year. What is the total cost of her loan?
- A. \$1,120
  - B. \$5,120
  - C. \$2,250
  - D. \$9,120
41. How do targeted social media advertisements impact a user's ability to make responsible financial decisions?
- A. They encourage users to practice saving.
  - B. They force users to think before making purchases.
  - C. They dissuade users from making unnecessary purchases.
  - D. They tempt users into making impulse purchases.
42. Which of the following statements about adjustable-rate mortgages is true:
- A. They are typically less complicated than fixed-rate mortgages.
  - B. They are often more expensive than fixed-rate mortgages.
  - C. Their interest rate can increase or decrease over time.
  - D. Their interest rates do not change throughout the course of the loan.
43. Reggie makes financial decisions based on the time value of money theory. It is reasonable to assume that Reggie \_\_\_\_\_ frequently.
- A. spends
  - B. saves
  - C. invests
  - D. budgets
44. Investing in a bond refers to holding a portion of a company's \_\_\_\_\_, which entitles you to receive periodic interest payments and the return of its face value when it matures.
- A. profit
  - B. debt
  - C. savings
  - D. investments
45. Which of the following are primary organizations that maintain and provide consumer credit reports:
- A. Equifax and Experian
  - B. TurboTax and TransUnion
  - C. E-Trade and Equifax
  - D. Charles Schwab and TransUnion
46. Elaine wants to start saving but always spends most of her income each month. She has trouble sticking to her budget and tends to make impulsive spending decisions when she has money in her checking account. Which of the following will help her start saving:
- A. Set up automatic transfers into a savings account or retirement plan
  - B. Put all her impulse purchases on one credit card to easily track them
  - C. Make a color-coded spreadsheet to track her expenses
  - D. Make a New Year's resolution to spend less and save more



47. Wade and his spouse rely on his steady paycheck to support their family. Which of the following types of insurance should they prioritize buying:
- A. Renters
  - B. Disability
  - C. Long-term care
  - D. Auto
48. Based on his family's financial need, Bruno received financial aid for his education that he does not need to pay back. What type of financial aid did Bruno receive?
- A. Loan
  - B. Work-study
  - C. Grant
  - D. Scholarship
49. Peter and Shayna recently took out a mortgage loan to pay for their dream home. Which of the following is the collateral they likely pledged for the loan:
- A. Their life insurance policies
  - B. One of their cars
  - C. Their wedding rings
  - D. The house
50. Which of the following laws protects consumers from unfair credit practices by requiring businesses to disclose details about annual percentage rates, terms of loans, and total costs to purchase on credit:
- A. Fair Debt Collection Practices Act
  - B. Federal Trade Commission Act
  - C. Truth in Lending Act
  - D. Magnuson-Moss Warranty Act
51. Leo wants to diversify his investments. Which of the following investment options would best fit his goals:
- A. Individual stocks
  - B. Savings account
  - C. Mutual fund
  - D. Real estate
52. Before making a charitable donation, Hera researches the organization thoroughly. Why is this an important step?
- A. To receive recognition for the donation
  - B. To ensure the organization is legitimate
  - C. To confirm the organization pays its executives well
  - D. To see if the organization hosts events with celebrities
53. Many investors routinely monitor the unemployment rate, which can be an indicator of the market's future state. A higher unemployment rate could indicate \_\_\_\_\_ retail sales, economic output, and corporate profits.
- A. lower
  - B. record-breaking
  - C. moderate
  - D. higher

54. Which of the following scenarios best demonstrates the use of a Roth IRA:
- A. Walter must withdraw money from his retirement plan at age 73.
  - B. Melvin makes pre-tax contributions to his retirement plan.
  - C. Giulia makes after-tax contributions to her retirement plan.
  - D. Charlotte receives immediate tax benefits from her retirement plan.
55. Michael has decades before retirement but wants to begin saving now. He generally prefers as little risk as possible, but the interest rate on his savings account is not keeping pace with inflation. Considering Michael's circumstances and risk tolerance, what should he do with his money?
- A. Invest in a money market fund
  - B. Wager it on a sporting event
  - C. Diversify it across penny stocks
  - D. Keep it in his savings account
56. Deferment on a student loan is different than forbearance on a student loan in that deferment
- A. prevents interest from accruing on subsidized loans.
  - B. is best suited for short-term hardships.
  - C. is granted for up to 12 months at a time.
  - D. allows interest to accumulate on all loan types.
57. Which of the following are commonly included in an employee benefits package:
- A. Unlimited paid time off and dental insurance
  - B. Retirement plans and free gas
  - C. Pet insurance and housing assistance
  - D. Health and life insurance
58. Nomad Solutions announces a round of employee layoffs, which causes its stock price to fluctuate. Which factor is most likely responsible for this change?
- A. Company news
  - B. Economic factors
  - C. Investor sentiment
  - D. Industry performance
59. Edouard wants to store his money in an online account. He is deciding between a traditional savings account and a mobile payment account. He should consider that mobile payment accounts \_\_\_\_\_, while savings accounts \_\_\_\_\_.
- A. require transaction fees; provide free transaction services
  - B. provide free transaction services; require transaction fees
  - C. allow convenient money transfers; pay back interest
  - D. pay back interest; allow convenient money transfers
60. Marco designates a set amount from each paycheck to go directly into his emergency fund and retirement account. What budgeting step is he following?
- A. Automate your savings
  - B. Determine after-tax income
  - C. Practice budget management
  - D. Track your progress

61. Generally, Medicare is different than Medicaid in that Medicare
- A. is often a last resort for those without access to other resources.
  - B. provides coverage for people aged 65 or older.
  - C. does not cover those with a disability.
  - D. is designed for people with limited income.
62. Which of the following is a disadvantage of using technology like robo-advisors to invest:
- A. The fees are higher than traditional financial advisors.
  - B. Opening an account is difficult.
  - C. There typically is no human contact.
  - D. They may have higher account minimums.
63. Gabriel has deposited money into an FDIC-insured bank. What does this say about the bank's operations?
- A. The bank has a line of credit to the U.S. Treasury through the FDIC to cover any losses.
  - B. The bank must pay all consumer deposits to the FDIC, which manages and invests them.
  - C. The bank is required to keep a portion of its assets liquid and pay premiums to the FDIC.
  - D. The bank receives premiums from the FDIC while it is considered stable and risk-free.
64. Ivy started working at her restaurant job when she was in high school. After 10 years with the company serving various roles, she was promoted to the company's regional manager, giving her a higher salary than ever before. This scenario demonstrates how \_\_\_\_\_ impacts an employee's salary.
- A. gender
  - B. experience
  - C. age
  - D. education
65. Which of the following strategies would help curb Lin's impulse buying:
- A. Save her payment information on her phone
  - B. Shop online to avoid in-store temptation
  - C. Go grocery shopping when she is hungry
  - D. Stick to a list when she is shopping
66. Astha is deciding whether to open a CD now or wait for higher rates. She learns that the market is experiencing high inflation and the Federal Reserve is considering adjusting interest rates. A reasonable prediction is that the Federal Reserve will \_\_\_\_\_ interest rates, causing yields on CDs to \_\_\_\_\_.
- A. lower; increase
  - B. lower; decrease
  - C. raise; increase
  - D. raise; decrease

67. Stephanie is a recent dental school graduate with a sizable student loan from her university and a high monthly rent bill. Although she is young and healthy and earning a nice salary, she is undecided on whether she wants to purchase health insurance, knowing it will be an additional expense she needs to worry about. What should she do?
- A. Purchase health insurance because accidents are unpredictable.
  - B. Purchase health insurance because she won't have any medical expenses.
  - C. Avoid purchasing health insurance because she is young and healthy.
  - D. Avoid purchasing health insurance because she cannot afford it.
68. Which of the following is an advantage of renting versus buying a home:
- A. Responsibility for maintenance
  - B. Minimal property taxes
  - C. Greater flexibility
  - D. Building equity
69. Brandy has a couple loans and a high credit card bill, causing her to have a low credit score. Which of the following is a way in which Brandy can improve her credit score:
- A. Consider consolidating her debts
  - B. Avoid setting automatic bill payments
  - C. Increase the number of hard inquiries into her credit
  - D. Aim for 40% credit utilization or more
70. Kamryn has a massive collection of financial records, many of which are outdated or unnecessary. As a result, she struggles to find specific documents when needed. What could Kamryn have done to avoid this problem?
- A. Duplicate each record as a precaution
  - B. Keep her financial records secure in a safe
  - C. Review and purge her records annually
  - D. Make a list of all accounts and passwords
71. A W-2 form is different than a 1099 form in that a W-2
- A. does not report any tax information.
  - B. is issued to employees on a company payroll.
  - C. is given to independent contractors.
  - D. lists the gross payments made to non-payroll workers.
72. Carmelo has a choice between two job offers. The first offers him a high salary and a great benefits package, but it appears the company culture is a work in progress. The second offer is a lower salary job with a weaker benefits package. On the flip side, the company has a strong workplace environment, several employees who have worked there for over a decade, and the opportunity for skill development and mentorship. Which of the following options offers the best non-income factors for Carmelo:
- A. Job #2, because it offers strong intangible benefits despite lower salary and weaker benefits.
  - B. Job #2, because it offers a lower salary and a weaker benefits package.
  - C. Job #1, because it offers a working environment that will require some changes to improve.
  - D. Job #1, because it offers strong tangible benefits like a higher salary and better benefits.

73. Elevated inflation can discourage saving because it erodes the purchasing power of savings over time. This means that businesses are more likely to \_\_\_\_\_ during these periods.
- A. budget
  - B. close
  - C. sell
  - D. invest
74. Which of the following statements about bankruptcy is true:
- A. It prevents creditors from receiving repayment.
  - B. It offers businesses a chance to start fresh.
  - C. It only applies to businesses.
  - D. It is punishable by court.
75. Roman buys a new suit for \$219.99, but the total increases by almost \$20 when he checks out. This is an example of a(n) \_\_\_\_\_ tax.
- A. sales
  - B. income
  - C. payroll
  - D. excise
76. Before making a financial decision, Nathalie evaluates the probability and magnitude of the risk involved in the purchase. She is likely using a \_\_\_\_\_ to inform her decision.
- A. reputational risk review
  - B. balance sheet
  - C. risk assessment matrix
  - D. cash flow analysis
77. Valerie, an investor, is managing her personal investment portfolio. When comparing her portfolio to the S&P 500, she notes that the tracking error is positive. What can Valerie conclude about her portfolio's performance compared to the benchmark?
- A. Her portfolio is performing the same as the benchmark.
  - B. Her portfolio's performance is improving but not outperforming the benchmark.
  - C. Her portfolio is outperforming the benchmark.
  - D. Her portfolio is underperforming the benchmark.
78. Petra, a new parent, contributes \$250 each month to a 529 education savings plan to help pay for her child's college costs. Saving for college is an example of a \_\_\_\_\_ financial goal.
- A. long-term
  - B. short-term
  - C. process
  - D. performance
79. Which of the following statements best describes the interest of direct unsubsidized loans:
- A. Interest is not charged with direct unsubsidized loans.
  - B. Interest is not charged while you're enrolled in school.
  - C. Interest starts accumulating the moment the loan is disbursed.
  - D. Interest is not charged during your post-graduation six-month grace period.

80. What Series license is considered the gold standard because it allows holders to sell almost every investment product?
- A. 63
  - B. 65
  - C. 6
  - D. 7
81. Elphaba has deposited money into an FDIC-insured bank below the insurance limit. What does this mean for her money?
- A. Elphaba will have to pay a premium to keep her money insured.
  - B. As long as the bank does not fail, Elphaba can withdraw all her money.
  - C. Elphaba needs to meet the insurance limit for her money to be insured.
  - D. Even if her bank fails, Elphaba will be able to withdraw all her money.
82. A reasonable expense ratio for an actively managed mutual fund is about
- A. 0.5% to 0.75%.
  - B. 1.5% to 1.75%.
  - C. 2.5% to 2.75%.
  - D. 3.5% to 3.75%.
83. Which of the following is a common tax deduction:
- A. Child and Dependent Care Credit
  - B. Saver's Credit
  - C. Charitable donations
  - D. Adoption expenses
84. Becky recently accepted a position with a company that offers health insurance in its benefits package. If she accepts the package, Becky's health benefits will be
- A. more expensive than an individual policy.
  - B. completely covered by the company.
  - C. partially covered by the government.
  - D. cheaper than an individual policy.
85. Youssef is saving for school and decides to put money into a 529 college savings plan. What advantage does this provide compared to other savings accounts?
- A. 529 accounts have significantly higher interest rates.
  - B. The government matches 529 contributions up to 6%.
  - C. The FDIC insures deposits made to 529 savings plans.
  - D. 529 withdrawals are tax-free when used for education.

86. Alex is a single parent who is struggling to make ends meet. With their next paycheck still two weeks away, Alex needs money now to cover rent and groceries. They visit a lender, provide proof of income, and sign a loan agreement for \$500. When Alex's next paycheck comes in, they will have to repay the lender the \$500 plus an interest fee. Which alternative financial service is Alex using?
- A. Pawnshop
  - B. Payday loan
  - C. Instant tax refund
  - D. Check-cashing outlets
87. Because she wants to advance in her career, Jordynne recently enrolled in night classes to improve her IT skills. Jordynne understands the importance of
- A. working with technology.
  - B. prioritizing work over all else.
  - C. working longer hours.
  - D. ongoing education.
88. The Securities and Exchange Commission discovers an uptick in trading at a company right before the company announces a merger. This could be an indicator of
- A. corporate philanthropy.
  - B. market manipulation.
  - C. a Ponzi scheme.
  - D. insider trading.
89. Which of the following factors has the biggest impact on your credit score:
- A. Length of credit history
  - B. Credit mix
  - C. How much you owe
  - D. Payment history
90. Which of the following is an example of earned income:
- A. Wages
  - B. Social Security benefits
  - C. Interest from savings accounts
  - D. Dividends from stocks
91. Les is looking for a financial advisor. He is interested in hiring Chet, who was recommended by a friend. However, he wants to make sure Chet will act in his best interest. What should Les do?
- A. Ensure that Chet is bound by a fiduciary duty.
  - B. Research how long Chet has been a financial advisor.
  - C. Take his friend's word that Chet is trustworthy.
  - D. Give Chet a stern talking to about his expectations.
92. Which of the following is a characteristic commonly associated with a contraction period in an economy:
- A. Consumers are spending less and saving more.
  - B. Several new businesses are started.
  - C. Unemployment decreases.
  - D. Businesses increase production.

93. Which of the following situations is covered by renters insurance:
- A. Seth's roof is damaged during a hurricane.
  - B. Liv's shed collapses due to a snowstorm.
  - C. Raquel's home is damaged by a baseball.
  - D. Ludwig's furniture is damaged in a fire.
94. Why do long-term bonds carry more risk from interest rate changes than short-term bonds?
- A. Long-term bonds are impacted by interest rate changes for a longer time.
  - B. Short-term bonds are riskier than long-term bonds.
  - C. Long-term bonds have a lower chance of interest rate changes.
  - D. Interest rates are more likely to fall for long-term bonds than short-term bonds.
95. Because Ty doesn't pay his credit card balance in full before the end of the payment period, he is charged interest on his account. This scenario demonstrates which of the following:
- A. Annual fees
  - B. Transaction fees
  - C. Set-up charges
  - D. Finance charges
96. Country X aims to keep its inflation rate at 2.5%. This is called
- A. inflation targeting.
  - B. price stability.
  - C. hyperinflation.
  - D. deflation.
97. Darla is an all-state sprinter with a 4.0 grade-point average to boot. Because of her academic merit and athletic skills, she received financial aid from a professional athlete's charity to help her pay for college. What type of financial aid did Darla most likely receive?
- A. Scholarship
  - B. Grant
  - C. Loan
  - D. Work-study
98. Which of the following leads to a soft inquiry:
- A. You apply for a new credit card.
  - B. You apply for a mortgage loan.
  - C. You agree to a background check by a potential employer.
  - D. You purchase a car and apply for a bank loan.
99. Which of the following statements about federal and state taxes is true:
- A. Federal and state withholdings are usually the same.
  - B. Federal rates are typically higher than state tax rates.
  - C. State taxes is another term for local taxes.
  - D. States cannot have different credits and deductions.



100. Which of the following statements about a High Deductible Health Plan is true:

- A. Monthly premiums are higher than more traditional health plans.
- B. It is the most common type of health insurance used among full-time employees.
- C. It is cheaper for employers compared to more traditional health plans.
- D. It makes managing a chronic illness, such as heart disease or diabetes, cheaper.



**KEY**

2025 HS ICDC

# Personal Financial Literacy Exam

PFL – Personal Financial Literacy Event

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## 1. A

They remain on your credit report for two years. A hard credit inquiry is a credit information request that includes your full credit report and deducts points from your credit score. Hard inquiries typically occur when you apply for credit, rather than at any time. A soft inquiry is a check on your credit for reasons unrelated to lending you money, which does not affect your credit score. Both hard and soft inquiries remain on your credit report for two years. A hard inquiry requires your permission, whereas a soft inquiry does not.

SOURCE: Managing Credit Grade 12

SOURCE: Luthi, B. (2024, October 28). *Hard inquiry vs. soft inquiry: What's the difference?* Retrieved January 31, 2025, from <https://www.experian.com/blogs/ask-experian/hard-inquiry-vs-soft-inquiry>

## 2. A

Work-life balance. When evaluating a job offer, it is important to consider both the tangible and intangible benefits it offers. Intangible benefits are typically non-monetary perks that impact workplace culture, personal growth, and job satisfaction. Some examples of intangible benefits include work-life balance, a positive working environment, mentorship, growth opportunities, and a sense of purpose. Tangible job benefits are measurable, concrete perks that have a direct financial or material value. Examples of tangible benefits include salary, bonuses, and performance incentives; medical, dental, and vision insurance; retirement plans; and paid time off.

SOURCE: Earning Income Grade 12

SOURCE: Academy to Innovate HR. (n.d.). *Intangible rewards*. Retrieved February 3, 2025, from <https://www.aihr.com/hr-glossary/intangible-rewards>

## 3. A

Real estate agent. Productivity refers to the amount and value of goods and services produced (outputs) from set amounts of resources (inputs). The compensation for many jobs can rely on an employee's productivity or performance. This is common for sales roles, such as real estate agents, salespeople, and insurance agents. In these roles, the more an employee sells, the higher their income will be. Teachers, nurses, and accountants usually have a set salary or hourly wage that doesn't rely on their production.

SOURCE: Earning Income Grade 12

SOURCE: Fintactix, LLC. (2025). *Understanding performance-based pay*. Retrieved February 3, 2025, from <https://knowledge.anbtix.com/workplace-finances/paycheck-planning/article/understanding-performance-based-pay>

## 4. A

Dependent. Under many health insurance systems, children and young adults are covered by their parents' or guardians' family health insurance plans. This makes them dependents, or someone who relies on someone else for financial support. A liability is typically a debt, usually money, that a business owes. An insurance carrier is a large company that provides insurance and assumes the risk covered in the policies. An insurance premium is a fee paid to an insurance company for providing insurance protection.

SOURCE: Managing Risk Grade 12

SOURCE: Kagan, J. (2024, October 24). *What is a dependent?* Retrieved February 6, 2025, from <https://www.investopedia.com/terms/d/dependent.asp>

5. C

Phishing. Phishing is an online identity-theft scam that fools its victims into believing they are submitting sensitive, personal information (such as credit card numbers or bank passwords) to a legitimate website. Slander is saying something untrue that damages a person or business's reputation. Predatory pricing is the illegal practice of setting prices unrealistically low to eliminate competition. Backlinks are links to a company's site that appear on other websites, as a way to show the company site is important and valuable.

SOURCE: Managing Risk Grade 12

SOURCE: Federal Trade Commission. (2022, September). *How to recognize and avoid phishing scams*. Retrieved February 6, 2025, from <https://consumer.ftc.gov/articles/how-recognize-and-avoid-phishing-scams>

6. A

Understanding needs and wants. Marketers are experts at creating desire and compelling you to purchase their products. Brandon is determining whether the bike is a need or a want by asking himself: "Do I really need this, or am I just being swayed by clever marketing?" In this scenario, Brandon is not setting a budget and sticking to it, reading the fine print, or utilizing comparison tools.

SOURCE: Spending Grade 12

SOURCE: Gupta, N. (2024, August 2). *How to make informed purchasing decisions amidst constant marketing pressure*. Retrieved February 6, 2025, from <https://www.linkedin.com/pulse/how-make-informed-purchasing-decisions-amidst-constant-nishant-gupta-1q1gc/>

7. A

Contribute money to a savings account. Saving is an excellent way to meet short- and long-term financial goals and prepare for unexpected expenses since there is little risk of losing money. Investing typically comes with a long-term horizon, such as for college funds or retirement. Investments frequently fluctuate, but the idea behind most investing is steady growth over time, so investors generally want to keep their investments in the market for as long as possible to guarantee the greatest possible return. This would be unwise for Angie's short-term financial goals. Using only her credit card to build credit would not necessarily help her afford short-term financial goals and unexpected expenses. Generally, the goal of maintaining good credit is to secure loans for larger investments such as a home. Taking out a loan from the bank would be unwise and unnecessary to plan for short-term financial goals and unexpected expenses.

SOURCE: Investing Grade 12

SOURCE: Hayes, A. (2025, January 13). *Saving vs. investing: What teens should know*. Retrieved January 31, 2025, from <https://www.investopedia.com/articles/investing/022516/saving-vs-investing-understanding-key-differences.asp>

8. C

Consumer Financial Protection Bureau. The Consumer Financial Protection Bureau works to make financial products safe for consumers by educating and informing them; supervising banks, credit unions, and other financial services providers; and studying consumer behavior. The Federal Trade Commission aims to protect consumers and eliminate unfair business competition. One of its major goals is to help consumers make good buying decisions. The Consumer Product Safety Commission is the federal agency that carries the bulk of the responsibility for ensuring product safety. The Federal Deposit Insurance Corporation is a government agency that was created to ensure the stability of the United States banking system.

SOURCE: Spending Grade 12

SOURCE: LAP-PM-917—Protect and Serve (Consumer Protection)

9. C

Your claims history. The cost of homeowners insurance can depend on a variety of factors, such as the location of your home, your credit history, your claims history, the age of your home, and your marital status. Insurance companies often take a person's claims history into account when determining cost. Someone with a history of filing insurance claims indicates that they are more likely to do it again in the future, which makes them a future claims risk in the eyes of the insurance company. The number of cars you own, your education level, and the city in which you were born are not typical factors that could impact the cost of homeowners insurance.

SOURCE: Managing Risk Grade 12

SOURCE: Todoroff, N. (2024, July 16). *Factors that impact your cost of homeowners insurance*. Retrieved February 5, 2025, from <https://www.bankrate.com/insurance/homeowners-insurance/factors-that-impact-home-insurance-rates>

10. D

Roth IRA. A Roth IRA is tax-free at withdrawal, which is perfect for someone who will be in a higher tax bracket at retirement age. A traditional IRA is tax-free when depositing but imposes taxes when withdrawing. Liam's company offers a traditional 401(k), meaning it acts the same way a traditional IRA does. The company does not offer matching, reducing the value of the fund for Liam. An education savings plan is for school, not retirement.

SOURCE: Saving Grade 12

SOURCE: Fernando, J. (2025, January 24). *401(k) plans: What are they, how they work*. Retrieved February 7, 2025, from <https://www.investopedia.com/terms/1/401kplan.asp>

11. B

Securities Act of 1933. The Securities Act of 1933 requires that investors receive financial and other significant information concerning securities being offered for public sale and prohibits deceit, misrepresentations, and other fraud in the sale of securities. The Sarbanes-Oxley Act of 2002 mandated several reforms to enhance corporate responsibility, enhance financial disclosures, and combat corporate and accounting fraud. The Investment Company Act of 1940 regulates the organization of companies, including mutual funds, that engage primarily in investing, reinvesting, and trading in securities and whose own securities are offered to the investing public. The Trust Indenture Act of 1939 applies to debt securities such as bonds, debentures, and notes that are offered for public sale.

SOURCE: Investing Grade 12

SOURCE: U.S. Securities and Exchange Commission. (n.d.). *The laws that govern the securities industry*. Retrieved February 5, 2025, from <https://www.investor.gov/introduction-investing/investing-basics/role-sec/laws-govern-securities-industry>

12. D

High-risk. Nicole believed that the guitar would be a valuable collectible in the future, but over time learned that it would not. This illustrates the high-risk nature of investing in collectibles. Collectibles are very risky because they are speculative investments that may produce above-average returns but have a high chance of loss. Collectibles are not low-risk, medium-risk, or no-risk investments.

SOURCE: Investing Grade 12

SOURCE: LAP-FI-077—Invest for Success (Types of Investments)

13. D

Certificate of deposit. A certificate of deposit (CD) tends to pay the highest interest rate compared to other savings accounts but confers penalties if money is withdrawn too soon. Since Nadi wants to maximize interest and will not be withdrawing her money any time soon, a one-year CD makes the most sense for her. A standard savings account will offer the lowest interest rate, while a money market account may offer slightly higher rates. A high-yield savings account will offer high interest rates, but not as high as a CD.

SOURCE: Saving Grade 12

SOURCE: Burnette, M. (2024, June 14). *3 types of savings accounts: Where to stow your cash*. Retrieved January 31, 2025, from <https://www.nerdwallet.com/article/banking/types-of-savings-accounts>

14. B

Isaac exaggerates the value of the watch that was stolen from his home. Insurance fraud is a crime that occurs when someone knowingly makes a false or misleading statement to an insurance company. Because Isaac exaggerates the value of his watch that was stolen from his home, this is an example of insurance fraud. Kelley is legitimately injured when she files a claim; therefore, it is not an example of insurance fraud. The damage to Jada's house is real, making it a valid claim. When a person damages another person's car without reporting it to law enforcement, it's considered a hit and run which is a crime unrelated to insurance fraud.

SOURCE: Managing Risk Grade 12

SOURCE: California Department of Insurance. (n.d.). *What is insurance fraud?* Retrieved February 6, 2025, from <https://www.insurance.ca.gov/0300-fraud/0100-fraud-division-overview/05-ins-fraud>

15. C

Validating your credit history. This scenario best demonstrates the importance of validating your credit history. If Kimberly had not checked her credit score, she wouldn't have known that the credit bureau mishandled her report. This scenario does not demonstrate the importance of paying rent on time, filing your taxes early, or making minimum payments on credit cards.

SOURCE: Managing Credit Grade 12

SOURCE: Luthi, B. (2024, May 10). *What is a debt validation letter?* Retrieved January 31, 2025, from <https://www.experian.com/blogs/ask-experian/what-is-debt-validation-letter>

16. A

Phil's employer pays 100% of his insurance premiums. A non-contributory employee benefit is one where the employer covers the full cost of the benefit. This means that the employee does not need to contribute any money toward it. Therefore, Phil's employer paying 100% of his insurance premiums best demonstrates a non-contributory employee benefit. Tina's company paying a portion of her premiums describes a contributory employee benefit—where the employer and employee share the costs. Osamu paying 100% of his insurance premiums and Mia's organization not offering health insurance do not describe non-contributory employee benefits.

SOURCE: Earning Income Grade 12

SOURCE: Richards Insurance. (2022). *Employee benefits*. Retrieved January 31, 2025, from <https://www.richardsinsurance.com/services/employee-benefits>

17. C

It will decrease. Although Aria's savings will increase by 2.13%, the value of her savings will decrease by 2.35%. Since it will decrease more than it will increase, we can say its value will decrease overall. The value of her savings would only increase if the interest rate was greater than the inflation rate. Similarly, it would remain the same only if the rates were equal. We can predict this confidently since we assume all else remains the same.

SOURCE: Saving Grade 12

SOURCE: LAP-EC-083—Up, Up, and Away (Inflation)

18. B

Repossession. Repossession is the action of retaking possession of something when a buyer defaults on payments. Because Robin missed several payments and the bank that provided his car loan repossessed the car, this is an example of repossession. Foreclosure involves the repossession of a mortgaged property when a tenant fails to keep up on their mortgage payments. Wage garnishment is a legal procedure in which a person's earnings are required by court order to be withheld by an employer for the payment of a debt. Embezzlement is the theft of valuables that have been entrusted to one's care.

SOURCE: Managing Credit Grade 12

SOURCE: Laurence, B.K. (2024, June 12). *What can creditors do if you don't pay?* Retrieved January 31, 2025, from <https://www.nolo.com/legal-encyclopedia/free-books/small-business-book/chapter4-4.html>

19. B

Product placement. Product placement is a type of "other" media that uses branded products as props in movies, TV shows, online videos, and video games. Because the main character of the show drinks a soda, this is an example of product placement. Spectaculars are a type of out-of-home advertisement built to order and often designed with neon lights or moving parts. They are typically large, elaborate electrical signs. Email advertising is a form of digital marketing that is popular among businesses because it's quick, easy, and inexpensive. It involves sending targeted emails to recipients. Specialty media has the business's name or logo on it, is a useful item such as a pen or hat, and is given away. It reminds people about the business. This scenario does not demonstrate the power of spectaculars, email advertising, or specialty media.

SOURCE: Spending Grade 12

SOURCE: LAP-PR-007—Ad-quipping Your Business (Types of Advertising Media)

20. B

Collision insurance. Collision insurance is a type of auto insurance that pays for the damage to a car regardless of who was at fault. Collision insurance typically pays for damages to a car as a result of hitting a pothole, tree, or other object. Because Isayah inadvertently hit a tree in the scenario, collision insurance would likely cover the repair costs. Property damage liability insurance typically covers damages caused to someone else's property, while bodily injury liability insurance covers injuries to other people. Personal injury protection insurance covers medical expenses of the driver and passengers.

SOURCE: Managing Risk Grade 12

SOURCE: Gula, D. (2024, October 24). *The 8 key types of car insurance*. Retrieved February 5, 2025, from <https://www.nerdwallet.com/article/insurance/types-of-car-insurance>

21. D

The 401(k) because his company will match 6% of his contribution. Employees with access to a 401(k) with matching should use it because their investment will be doubled up to a percentage of their income. A Roth IRA uses post-tax dollars and is tax-free at withdrawal, so it wouldn't make sense to use one if Fernando would be in a lower tax bracket at retirement. The 6% match in a 401(k) refers to the amount an employer will contribute to the fund, not taxes. A 401(k) does not increase a contributor's taxes.

SOURCE: Saving Grade 12

SOURCE: Fernando, J. (2025, January 24). *401(k) plans: What are they, how they work*. Retrieved February 3, 2025, from <https://www.investopedia.com/terms/1/401kplan.asp>

22. A

To raise funds to operate their business. The main reason corporations issue stock is to raise funds to operate their business. This creates opportunities to expand, invest in new projects, and allocate resources toward research and development. The main goal of issuing stock is not to attract customers, increase employee salaries, or save money.

SOURCE: Investing Grade 12

SOURCE: Hayes, A. (2024, May 13). *Stocks: What they are, main types, how they differ from bonds*. Retrieved February 4, 2025, from <https://www.investopedia.com/terms/s/stock.asp>

23. B

Real estate. Of the following options, real estate carries the greatest risk but also the greatest return potential. While real estate values do tend to rise over time, the market can be unpredictable, and your investment can depreciate. Depending on which way the market goes, you can either experience big gains or big losses. Real estate is much riskier but also carries a much greater return potential than mutual funds, certificates of deposit, or savings accounts.

SOURCE: Investing Grade 12

SOURCE: Folger, J. (2024, April 4). *Is real estate investing safe?* Retrieved February 4, 2024, from <https://www.investopedia.com/articles/investing/122415/why-real-estate-risky-investment.asp>

24. B

Does not require the borrower to put up collateral. An unsecured loan is an amount of money borrowed by an individual or a business simply by signing a promissory note promising to repay the loan. In this type of loan, the borrower is not required to put up collateral. A secured loan is a type of loan in which the borrower pledges to the lender some valuable possession as collateral to guarantee that the loan will be repaid. Unsecured loans are usually made for shorter periods of time than secured loans and only to individuals or businesses with excellent credit ratings. Interest rates on unsecured loans may be slightly higher than those on secured loans because of the higher risk of loss to the lender.

SOURCE: Managing Credit Grade 12

SOURCE: LAP-FI-002—Give Credit Where Credit Is Due (Credit and Its Importance)

25. B

It covers a set period of time, often 10–40 years. There are several different types of life insurance, including term, whole, universal, and variable, to name a few. Term life insurance provides coverage for a specific period of time, often 10, 20, 30, or even 40 years. It does not last for the lifetime of the policyholder. With term life insurance, if the policyholder passes away during this term, the beneficiaries receive a death benefit (a payout). Once the term expires, the coverage ends unless the policy is renewed or converted to another type of insurance. One of the advantages of a term life insurance policy is that premiums do not increase during the term. Universal life insurance (not term life insurance) is based on market interest rates.

SOURCE: Managing Risk Grade 12

SOURCE: Walrack, J. (2025, February 4). *Types of life insurance plans and how to decide which one is right for you*. Retrieved February 6, 2025, from <https://www.investopedia.com/types-of-life-insurance-plans-and-how-to-decide-which-one-is-right-for-you-7482251>



26. A

\$76,000. Taxable income refers to the portion of an individual's or business's earnings that is subject to taxation. In this scenario, Adam's gross pay is \$89,000. His deductions can include retirement contributions and standard deductions. Subtracting his deductions from his gross income gives you his taxable income (\$89,000 - \$13,000 = \$76,000). Therefore, Adam's taxable income is \$76,000.

SOURCE: Earning Income Grade 12

SOURCE: Maverick, J.B. (2024, December 5). *Taxable income vs. gross income: What's the difference?* Retrieved February 4, 2025, from <https://www.investopedia.com/ask/answers/070915/what-difference-between-taxable-income-and-gross-income.asp>

27. D

Personal injury protection insurance. Personal injury protection insurance covers medical expenses of the driver and passengers in a car accident, regardless of who is at fault. Therefore, Akira has personal injury protection insurance in this scenario. Comprehensive insurance covers your car if it is stolen or damaged by something other than a car accident. Gap insurance covers the difference between the car's worth and the amount the owner owes on the loan. Renters insurance does not apply to car accidents; rather, it covers personal belongings and liability in rental home.

SOURCE: Managing Risk Grade 12

SOURCE: Gula, D. (2024, October 24). *The 8 key types of car insurance*. Retrieved February 6, 2025, from <https://www.nerdwallet.com/article/insurance/types-of-car-insurance>

28. D

She thinks her income will be higher by the time she makes withdrawals. A traditional IRA is funded with pre-tax dollars and is taxed on withdrawal. A Roth IRA is funded with money after taxes but is tax-free on withdrawal. Since Maheen will likely be in a higher income (and tax) bracket when she makes withdrawals, she will save money by choosing a Roth IRA and paying a lower tax rate upfront. Traditional IRAs do not carry income limits. The contribution limits for traditional and Roth IRAs are comparable or the same, and both IRAs allow withdrawals to be made at 65 years old.

SOURCE: Saving Grade 12

SOURCE: Kagan, J. (2025, January 5). *What is retirement planning? Steps, stages, and what to consider*. Retrieved February 3, 2025, from <https://www.investopedia.com/terms/r/retirement-planning.asp>

29. D

Banks needed to fund the increase in loans, causing them to raise rates to attract deposits. To meet higher credit needs, banks incentivize consumer deposits. Increased borrowing doesn't lower inflation, and low inflation doesn't prompt higher rates. While the Federal Reserve sets federal interest rates, it doesn't mandate bank rates. More loans indicate consumers are encouraged to borrow, not save.

SOURCE: Saving Grade 12

SOURCE: Heakal, R. (2024, October 24). *Forces that cause changes in interest rates*. Retrieved February 5, 2025, from <https://www.investopedia.com/insights/forces-behind-interest-rates/>

30. C

They increase accessibility to the market. Robo-advisors provide personalized investment advice and portfolio management services, making it easier for investors of all experience levels to get involved in the market. They do not tend to influence investors in any way; they provide personalized investment advice based on the user's needs and preferences. Robo-advisors offer personalized advice but do not contain knowledge capable of cheating the market.

SOURCE: Investing Grade 12

SOURCE: Majbour, B. (2023, February 14). *How technology is transforming the investment landscape*.

Retrieved February 5, 2025, from

<https://www.forbes.com/councils/forbesbusinesscouncil/2023/02/14/how-technology-is-transforming-the-investment-landscape/>

31. B

There is no FDIC guarantee. One disadvantage of mutual funds is that there is no FDIC guarantee. This means that mutual funds are not protected by the FDIC in the event of a bank failure. Mutual funds are highly diversified, professionally managed, and typically low risk in nature.

SOURCE: Investing Grade 12

SOURCE: Hayes, A. (2025, January 30). *Investing in mutual funds: What they are and how they work*.

Retrieved January 31, 2025, from <https://www.investopedia.com/terms/m/mutualfund.asp#toc-pros-and-cons-of-investing-in-mutual-funds>

32. D

They are made by the government. A federal student loan is a loan that is funded by the federal government. Conversely, a private student loan is a nonfederal loan made by a lender, such as a bank, credit union, school, or state agency. Private student loans are generally more expensive than federal student loans. Where private loans typically require payments while the student is still in school, federal student loans aren't due until after graduation.

SOURCE: Managing Credit Grade 12

SOURCE: Federal Student Aid. (n.d.). *When it comes to paying for college, career school, or graduate school, federal student loans can offer several advantages over private student loans*. Retrieved January 30, 2025, from <https://studentaid.gov/understand-aid/types/loans/federal-vs-private>

33. D

Renters. Renters insurance will cover your personal belongings that are stolen in a burglary. A renters insurance policy protects against losses to your personal property, which includes jewelry, clothes, electronics, furniture, and luggage, to name a few. Since the apartment is leased in this scenario, the landlord's property insurance only covers losses to the building itself, not your personal belongings. Homeowners insurance would apply if you owned the apartment instead of renting it. Travel insurance protects against financial losses that may occur while traveling.

SOURCE: Managing Risk Grade 12

SOURCE: Folger, J. (2024, August 6). *6 good reasons to get renter's insurance*. Retrieved February 5, 2025, from <https://www.investopedia.com/articles/personal-finance/082714/6-good-reasons-get-renters-insurance.asp>

34. D

Menu costs. Menu costs are the costs associated with changing prices due to inflation. For example, it may be necessary to reprint menus, change price tags, update websites, notify clients of price changes, etc. All these activities take time and cost money. The expenses, most often, are passed on to consumers. Commodities are raw materials that can be bought and sold. Supply shock occurs because of an unexpected event pushing up costs and prices. Price indexes are inflation monitoring tools.

SOURCE: Spending Grade 12

SOURCE: LAP-EC-083—Up, Up, and Away (Inflation)

35. B

You can buy a house sooner. There are a couple of advantages of a mortgage loan that requires no down payment. For one, it doesn't require the borrower to put down a large chunk of their savings. It also allows the borrower to buy a house sooner rather than spending months or even years saving up for a down payment. A disadvantage of a mortgage loan with no down payment is that you'll likely pay more interest (not less) over the life of the loan because you're borrowing more money. Additionally, you'll have less equity in your house because you've put down less money. Loans that do not require a down payment also may come with additional fees.

SOURCE: Managing Credit Grade 12

SOURCE: Jones, M. (2022, November 14). *Are no down payment mortgages a good idea?* Retrieved January 31, 2025, from <https://www.experian.com/blogs/ask-experian/zero-down-payment-mortgages-pros-cons>

36. D

Track expenses for one month to start a budget. Tracking current expenses is a great way to start saving because it reveals bad spending habits and areas to improve. Putting an arbitrary amount of money into a Roth IRA may be helpful, but without knowing more about Johann's finances we cannot say for certain that it is a good idea. Quitting expenses cold turkey is a naive approach for most, as most people have monthly expenses like bills and food. Taking out a loan would be a bad idea since the money would grow in the savings account at a slower rate than the loan's interest would accumulate.

SOURCE: Saving Grade 12

SOURCE: Bank of America. (2025). *Your guide to creating a budget plan.* Retrieved February 4, 2025, from <https://bettermoneyhabits.bankofamerica.com/en/saving-budgeting/creating-a-budget>

37. B

Complete the FAFSA. Before Lars submits any college applications, he should first complete the FAFSA, or the government's Free Application for Federal Student Aid. With the FAFSA complete, the financial aid offices at colleges he applies to will use the information to determine how much aid to make available to him. After receiving financial aid packages from his college(s), Lars could consider private loans from a bank if he needs additional aid. A grant is a type of financial aid that does not need to be paid back and that is given based on financial need. Grants are typically awarded based on the FAFSA information. Applying for them independently, without completing the FAFSA first, would not be effective. While the SAT is important for college admissions, it is not a prerequisite for applying.

SOURCE: Managing Credit Grade 12

SOURCE: Epstein, L. (2024, November 22). *How to apply for student loans.* Retrieved January 30, 2025, from <https://www.investopedia.com/articles/personal-finance/091515/beginners-guide-student-loans.asp>

38. D

Annual mileage and vehicle type. Insurance companies consider a variety of factors when determining car insurance premiums. Two common factors they consider are the car's annual mileage (higher mileage increases risk) and vehicle type (sports cars typically cost more to insure). Other factors include the driver's age, location, and credit score. The vehicle's previous owner, the driver's religion, and the color of the car are not considered when determining insurance premiums.

SOURCE: Managing Risk Grade 12

SOURCE: Balasco, R. (2025, February 4). *Factors affecting car insurance rates*. Retrieved February 5, 2025, from <https://www.thezebra.com/auto-insurance/driver/other-factors>

39. C

As employment increases, spending increases. The more jobs there are in an economy, the more money people have to spend on food, clothing, entertainment, etc. When people spend more, business profits increase. Additionally, people having more money to spend increases the demand for products and services, causing companies to increase their production to meet that demand. If people have the money to spend due to being employed, they are less likely to face financial hardship. When employment decreases, business profits decrease due to less consumer spending. When unemployment increases, production decreases due to less consumer spending and lower demand.

SOURCE: Earning Income Grade 12

SOURCE: Pologeorgis, N.A. (2023, September 10). *Employability, the labor force, and the economy*. Retrieved February 3, 2025, from <https://www.investopedia.com/articles/economics/12/employability-labor-force-economy.asp>

40. B

\$5,120. The total cost of a loan is the principal (amount of money being borrowed) plus the amount of interest accrued during the time it takes to pay back the loan. The amount of interest a loan accrues is calculated by multiplying the principal times the interest rate ( $\$4,000 \times 4\%$  [or  $0.04$ ] =  $\$160$ ), and then times the length of time for which the loan is made ( $\$160 \times 7$  years =  $\$1,120$ ). So, Janvi paid  $\$1,120$  on top of his principal. The interest plus the principal is  $\$5,120$  ( $\$1,120 + \$4,000 = \$5,120$ ), the total cost of the loan.

SOURCE: Managing Credit Grade 12

SOURCE: Kasasa. (2021, March 30). *What is my loan payment formula? [+ Tips for a lower interest rate]*. Retrieved January 30, 2025, from <https://www.kasasa.com/resources/blog/detail.html?cld=82023&title=what-is-my-loan-payment-formula-tips-for-a-lower-interest-rate>

41. D

They tempt users into making impulse purchases. Targeted social media advertisements can impact a user's ability to make responsible financial decisions because they can tempt users into making impulse purchases. Targeted social media advertisements tend to be highly personalized to the user. This can make purchases very tempting for users even if they do not necessarily need a product. Targeted social media advertisements do not dissuade users from making unnecessary purchases, encourage users to practice saving, or force users to think before making purchases.

SOURCE: Spending Grade 12

SOURCE: Lau, W. (2025). *What is targeted advertising?* Retrieved February 6, 2025, from <https://www.adroll.com/blog/what-is-targeted-advertising>

42. C

Their interest rate can increase or decrease over time. An adjustable-rate mortgage (ARM) has an interest rate that can increase or decrease over time in correlation with broader interest rate trends. A fixed-rate mortgage has an interest rate that is set when you take out the loan and will not change throughout the course of the loan. ARMs are typically more complicated than fixed-rate mortgages. ARMs are typically much cheaper than fixed-rate mortgages, especially in the first three to seven years.

SOURCE: Managing Credit Grade 12

SOURCE: McWhinney, J. (2024, November 11). *Fixed vs. adjustable-rate mortgage: What's the difference?* Retrieved January 30, 2025, from <https://www.investopedia.com/mortgage/mortgage-rates/fixed-versus-adjustable-rate>

43. C

Invests. The time value of money states that money is worth more now than at a future date based on its earning potential from investing. If Reggie were to make financial decisions based on this ideology, it is reasonable to assume that Reggie invests frequently. While saving, spending, and budgeting are important personal finance concepts, they are not fundamental to the time value of money.

SOURCE: Investing Grade 12

SOURCE: Fernando, J. (2024, August 21). *Time value of money: What it is and how it works.* Retrieved January 31, 2025, from <https://www.investopedia.com/terms/t/timevalueofmoney.asp#toc-what-is-the-time-value-of-money-tvm>

44. B

Debt. Investing in a bond refers to holding a portion of a company's debt, which entitles you to receive periodic interest payments and the return of its face value when it matures. Investing in a bond does not refer to holding a portion of a company's profit, investments, or savings.

SOURCE: Investing Grade 12

SOURCE: Picardo, E. (2025, January 14). *Investing explained: Types of investments and how to get started.* Retrieved February 6, 2025, from <https://www.investopedia.com/terms/i/investing.asp#toc-types-of-investments>

45. A

Equifax and Experian. The primary organizations that maintain and provide consumer credit reports are Equifax, TransUnion, and Experian. Each of these organization's reports contain information about how much credit you have, how much credit you use, your payment history, etc. TurboTax is a software that helps with preparing income tax returns. E-Trade is an electronic trading platform for financial assets. Charles Schwab is a financial services company that offers a wide range of investment and banking services, but is best known as a brokerage firm that allows individuals to trade stocks, bonds, mutual funds, etc.

SOURCE: Managing Credit Grade 12

SOURCE: Consumer Financial Protection Bureau. (2025, January). *List of consumer reporting companies.* Retrieved January 31, 2025, from <https://www.consumerfinance.gov/consumer-tools/credit-reports-and-scores/consumer-reporting-companies/companies-list>

46. A

Set up automatic transfers into a savings account or retirement plan. Since Elaine knows she makes impulsive purchases and does not stick to budgets, she needs an automated solution. She would likely not stick to a New Year's resolution. Making purchases on a credit card would make impulse purchases easier. Tracking expenses is a good idea in general but does nothing to address Elaine's specific situation.

SOURCE: Saving Grade 12

SOURCE: Goldberg, M. (2023, December 8). *How to automate your savings.* Retrieved February 6, 2025, from <https://www.bankrate.com/banking/how-to-automate-your-savings/#ways-to-automate>

47. B

Disability. Disability insurance is meant to provide income should you become disabled and unable to work. Disability insurance is particularly important for people or families who are reliant on a steady paycheck to support themselves. Wade and his family should prioritize disability insurance, as it will protect their financial stability. While auto, renters, and long-term care insurance are also important, they do not directly address the risk of losing the primary income source.

SOURCE: Managing Risk Grade 12

SOURCE: Voya Services Company. (2025). *The exact types of insurance you need in your 20s, 30s and 40s*. Retrieved February 5, 2025, from <https://www.voya.com/blog/exact-types-insurance-you-need-your-20s-30s-and-40s>

48. C

Grant. A grant is a type of financial aid that does not need to be paid back and that is given based on financial need. Because Bruno's financial aid is based on his family's financial need and does not need to be paid back, he received a grant. Loans need to be repaid with interest. Work-study is a way for students to earn money to pay for college while working part-time jobs. There is no indication that Bruno received a work-study. A scholarship also does not need to be paid back, but is merit-based and awarded to students based on academic achievements, extracurriculars, field of study, etc., rather than financial need.

SOURCE: Managing Credit Grade 12

SOURCE: Drexel University School of Education. (n.d.). *Grants, scholarships, & loans: What's the difference?* Retrieved January 30, 2025, from <https://drexel.edu/soe/admissions/financial-aid/difference-between-student-grants-vs-loans>

49. D

The house. A mortgage loan is an agreement between the borrower and a lender used to purchase or maintain a home, plot of land, or other types of real estate. If the borrower fails to repay the money they borrow plus interest, the lender has the right to take the property away from the borrower. Because of this, the property or house itself serves as collateral for a mortgage loan. Although cars, jewelry, and life insurance policies can serve as forms of collateral, they are not typically required for a mortgage loan.

SOURCE: Managing Credit Grade 12

SOURCE: Kagan, J. (2024, October 4). *Collateral definition, types, & examples*. Retrieved January 30, 2025, from <https://www.investopedia.com/terms/c/collateral.asp>

50. C

Truth in Lending Act. The Truth in Lending Act, also referred to as the Consumer Credit Protection Act, requires businesses to state the annual interest rate charged on credit purchases so consumers know exactly how much it will cost them to buy on credit. The Magnuson-Moss Warranty Act requires businesses to provide more and better warranty information that is easy for consumers to understand. The Fair Debt Collection Practices Act outlines how third-party debt collectors can reach out to debtors. The Federal Trade Commission Act established the Federal Trade Commission.

SOURCE: Spending Grade 12

SOURCE: LAP-PM-917—Protect and Serve (Consumer Protection)



51. C

Mutual fund. A mutual fund is a collection of assets that invests in stocks, bonds, and other securities. If Leo chose to invest in a mutual fund, he would be acquiring a diversified portfolio. Individual stocks, savings accounts, and real estate do not offer as much diversification as a mutual fund, so they would not make sense for Leo.

SOURCE: Investing Grade 12

SOURCE: Segal, T. (2023, July 1). *What is diversification? Definition as investing strategy*. Retrieved February 4, 2025, from <https://www.investopedia.com/terms/d/diversification.asp>

52. B

To ensure the organization is legitimate. An important step in charitable giving is ensuring the organization you are considering donating to is a legitimate, credible institution that uses its resources well. Receiving recognition for a donation isn't typically a primary concern when researching charitable organizations. Hera should be more concerned with how the organization uses its donations instead of concerned with executives' salaries. Seeing whether the organization hosts events with celebrities is not an important factor to consider before making a donation.

SOURCE: Spending Grade 12

SOURCE: Federal Trade Commission. (2021, May). *Before giving to a charity*. Retrieved February 6, 2025, from <https://consumer.ftc.gov/articles/giving-charity>

53. A

Lower. Essentially, more people with jobs equals higher retail sales, economic output, and corporate profits. Conversely, fewer people with jobs equals lower retail sales, economic output, and corporate profits. Thus, a higher unemployment rate (fewer people with jobs) could indicate lower retail sales, economic output, and corporate profits. However, a higher unemployment rate would not indicate higher, moderate, or record-breaking retail sales, economic output, and corporate profits.

SOURCE: Investing Grade 12

SOURCE: Levitt, A. (2022, January 23). *Macroeconomic indicators that affect the US stock market*. Retrieved February 6, 2025, from <https://www.investopedia.com/articles/investing/031413/economic-indicators-affect-us-stock-market.asp>

54. C

Giulia makes after-tax contributions to her retirement plan. A Roth IRA is a non-tax-deferred retirement plan in which contributions are made with after-tax income, but investors avoid capital gains taxes and owe no money at the time of withdrawal. Because Giulia makes after-tax contributions to her retirement plan, she is likely using a Roth IRA. The scenarios involving Melvin, Charlotte, and Walter each demonstrate the use of a traditional IRA—a tax-deferred retirement plan in which taxes aren't paid until the time of withdrawal. With a traditional IRA, contributions can come from pre- or after-tax dollars. With a Roth IRA, individuals enjoy tax-free withdrawals in the future, whereas users of a traditional IRA take advantages of immediate tax benefits. There are no mandatory distributions with a Roth IRA. With a traditional IRA, mandatory distributions begin after age 73.

SOURCE: Earning Income Grade 12

SOURCE: Charles Schwab & Co., Inc. (2024). *Roth IRA vs. traditional IRA*. Retrieved February 4, 2025, from <https://www.schwab.com/ira/roth-vs-traditional-ira>

55. A

Invest in a money market fund. Money market funds are low risk, as they invest in stable, short-term debt instruments and certificates of deposit. Though rates are still relatively modest, they usually offer higher yields than savings accounts. A money market fund accommodates both Michael's low risk tolerance and his desire for a higher yield. Keeping his money in his savings account would keep his money out of risk but also keep it subject to low yields. Penny stocks can provide enormous profits if you find the right company, but the vast majority of them are unpredictable and can lead to big losses if you are not careful. The high-risk nature of penny stocks would not be suitable for Michael. Similarly, wagering his money on a sporting event is extremely risky and would also not be suitable for Michael.

SOURCE: Investing Grade 12

SOURCE: Hayes, A. (2025, January 13). *Saving vs. investing: What teens should know*. Retrieved January 31, 2025, from <https://www.investopedia.com/articles/investing/022516/saving-vs-investing-understanding-key-differences.asp>

56. A

Prevents interest from accruing on subsidized loans. Deferment and forbearance both allow borrowers to temporarily postpone their student loan payments. However, there are some key differences between the two. Borrowers should choose deferment of their student loans when they are subsidized loans, as it prevents interest from accruing on subsidized loans. With forbearance, interest accumulates on all types of loans. Borrowers should choose forbearance if they don't qualify for deferment but need temporary relief. Forbearance is usually granted for up to 12 months at a time and can be renewed, making it best suited for short-term hardships. The length of deferment varies but can last for several months or even years.

SOURCE: Managing Credit Grade 12

SOURCE: Citizens Financial Group, Inc. (2025). *What's student loan deferment vs. forbearance?* Retrieved January 30, 2025, from <https://www.citizensbank.com/learning/student-loan-deferment-vs-forbearance.aspx>

57. D

Health and life insurance. Employee benefits are advantages or payments employees receive in addition to their wages. Employee benefits commonly include health, dental, vision, life, and disability insurance; retirement plans; paid time off; and holiday pay. While some companies may offer these benefits, free gas, unlimited paid time off, pet insurance, and housing assistance are not commonly included in employee benefits packages.

SOURCE: Earning Income Grade 12

SOURCE: Indeed. (2024, October 24). *What's in an employee benefits package?* Retrieved January 31, 2025, from <https://www.indeed.com/hire/c/info/benefit-packages>

58. A

Company news. Nomad Solutions's announcement of employee layoffs is a company-specific factor that caused its stock price to fluctuate. Other company news and performance-related factors that can impact a company's stock price are anticipated mergers, new product lines, and the announcement of dividends. Industry performance, investor sentiment, and economic factors are other categories that can impact stock prices, but they are not demonstrated in the scenario.

SOURCE: Investing Grade 12

SOURCE: Ontario Securities Commission. (2025). *Factors that can affect stock prices*. Retrieved February 7, 2025, from <https://www.getsmarteraboutmoney.ca/learning-path/stocks/factors-that-can-affect-stock-prices/>



59. C

Allow convenient money transfers; pay back interest. Mobile payment accounts offer easy and convenient ways to transfer money between friends, customers, and merchants, but do not accrue interest like traditional savings accounts. While some may include transaction fees, most mobile payment accounts do not have fees. Savings accounts typically do not have transaction fees, and many do not allow transactions the way that mobile accounts do.

SOURCE: Saving Grade 12

SOURCE: Sottosanto, S. (2024, May 2). *Mobile wallets vs. traditional banking*. Retrieved February 3, 2025, from <https://www.ecspayments.com/mobile-wallets/>

60. A

Automate your savings. By designating a set amount from each paycheck to go directly into his emergency fund and retirement account, Marco is automating the saving process. Setting up automatic savings requires minimal effort and goes a long way toward effective budgeting. While tracking his progress, determining after-tax income, and practicing budget management are important steps in developing a personal budget, Marco is not following them in this scenario.

SOURCE: Spending Grade 12

SOURCE: Schwahn, L. (2025, February 4). *How to budget money in 5 steps*. Retrieved February 5, 2025, from <https://www.nerdwallet.com/article/finance/how-to-budget>

61. B

Provides coverage for people aged 65 or older. Medicare is a government-sponsored program designed to help provide health-care coverage for individuals with disabilities and seniors who are aged 65 and older. Medicaid is designed for people with limited income, such as pregnant people with low income, children of low-income families, and parents or caregivers with low income. Medicaid is often a last resort for those without access to other resources.

SOURCE: Managing Risk Grade 12

SOURCE: McWhinney, J. (2024, December 2). *Medicare vs. Medicaid: What's the difference?* Retrieved February 6, 2025, from <https://www.investopedia.com/articles/pf/07/medicare-vs-medicaid.asp>

62. C

There typically is no human contact. A disadvantage of using technology like robo-advisors to invest is that it does not typically involve the human interaction that is sometimes critical when investing. A robo-advisor tends to have fees that are lower than traditional financial advisors. Opening an account is easy with a robo-advisor. A robo-advisor may also have lower account minimums. These are all advantages of using a robo-advisor.

SOURCE: Investing Grade 12

SOURCE: Bromberg, M. (2024, May 7). *Robo-advisor: Advantages and disadvantages*. Retrieved February 5, 2025, from <https://www.investopedia.com/articles/personal-finance/010616/pros-cons-using-roboadvisor.asp>

63. C

The bank is required to keep a portion of its assets liquid and pay premiums to the FDIC. Member banks pay premiums to the FDIC and must keep some assets liquid to offset risk. Although the FDIC can borrow from the U.S. Treasury to cover losses, this power is rarely used. Member banks pay the FDIC based on risk, not based on consumer deposits. The FDIC does not pay premiums to member banks.

SOURCE: Saving Grade 12

SOURCE: Lam, J., Johnson, J., & Pulliam, K. (2024, July 23). *What is the FDIC? Safeguarding your money in the banking system*. Retrieved February 5, 2025, from <https://www.businessinsider.com/personal-finance/banking/fdic>

64. B

Experience. Experience is one of the most common factors that impacts an employees' salary. Because Ivy earned a promotion and salary increase after 10 years with the same company, this scenario demonstrates how experience impacts an employee's salary. This scenario does not demonstrate how education, gender, or age impacts an employee's salary.

SOURCE: Earning Income Grade 12

SOURCE: U.S. Equal Employment Opportunity Commission. (n.d.). *Pay discrimination - FAQs*. Retrieved February 3, 2025, from <https://www.eeoc.gov/youth/pay-discrimination-faqs>

65. D

Stick to a list when she is shopping. Impulse buying is an on-the-spot decision to purchase something. There is no planning involved beforehand. Items in the checkout line, such as candy bars and gum, are examples of impulse items. Lin should stick to her shopping list to curb impulse buying. Saving her payment information on her phone would make impulse buying more convenient. Going grocery shopping when she is hungry is another way to increase impulse buying, not decrease it. Similar to keeping her payment information on file, shopping online makes impulse buying more convenient.

SOURCE: Spending Grade 12

SOURCE: McMullen, L. (2024, February 13). *What is impulse buying? 5 ways to resist*. Retrieved February 6, 2025, from <https://www.nerdwallet.com/article/finance/impulse-buying-definition>

66. C

Raise; increase. The Federal Reserve raises interest rates to combat inflation, reducing loans and increasing banks' reliance on consumer deposits. To attract deposits, banks raise CD yields. Lowering rates would have the opposite effect, reducing CD yields and discouraging saving.

SOURCE: Saving Grade 12

SOURCE: Banton, C. (2024, February 23). *Interest rates: Different types and what they mean to borrowers*. Retrieved January 31, 2025, from <https://www.investopedia.com/terms/i/interestrate.asp>

67. A

Purchase health insurance because accidents are unpredictable. Even though she is young and healthy, Stephanie should purchase health insurance because unforeseen events like accidents and illnesses are unpredictable and can lead to significant medical expenses. These expenses can negatively impact her financial stability, especially given her existing commitments like student loans and rent. Buying health insurance will provide her with a safety net and ensure she won't face lofty out-of-pocket costs should an unexpected medical situation arises. Health insurance doesn't cover all medical expenses, but it helps ease the financial burden of them.

SOURCE: Managing Risk Grade 12

SOURCE: Kissell, C. (2024, February 15). *What happens if you don't have health insurance?* Retrieved February 4, 2025, from <https://www.forbes.com/advisor/health-insurance/what-happens-if-you-dont-have-health-insurance>

68. C

Greater flexibility. One of the advantages of renting is the flexibility to leave when the lease is up. Homeowners are responsible for maintenance and repairs, which is a disadvantage of home ownership. Landlords are responsible for maintenance when renting. Building equity and credit is an advantage of home ownership. Renters don't pay property taxes; homeowners do. Renters may indirectly contribute through paying rent, but it is not a direct advantage of renting.

SOURCE: Spending Grade 12

SOURCE: Majaski, C. (2025, January 10). *Renting vs. owning a home: What's the difference?* Retrieved February 6, 2025, from <https://www.investopedia.com/articles/personal-finance/083115/renting-vs-owning-home-pros-and-cons.asp>

69. A

Consider consolidating her debts. If Brandy wants to improve her credit score, she should consider consolidating her debts. Debt consolidation is the act of taking out a single loan or credit card to pay off other existing loans or credit card debts. This will give Brandy just one payment to deal with. If she is able to get a lower interest rate on the new loan, she will be able to pay down her debt faster, which will improve her credit utilization ratio and, thus, her credit score. Brandy should aim for 30% credit utilization or less (not more), as it refers to the portion of her credit limit that she uses at any given time. Setting up automatic bill payments could help Brandy, as it will ensure that the minimum payments on her cards are made on time. Rather than increasing the number of hard inquiries into her credit, Brandy should look to limit them. Hard inquiries can hurt credit scores, as they include applications for a new credit card, mortgage loans, auto loans, or other forms of new credit. The more hard inquiries in a short period of time, the more it could hurt her credit.

SOURCE: Managing Credit Grade 12

SOURCE: Lake, R. (2024, September 20). *How to improve your credit score fast.* Retrieved January 30, 2025, from <https://www.investopedia.com/how-to-improve-your-credit-score-4590097>

70. C

Review and purge her records annually. If Kamryn reviewed and purged her documents annually, she would routinely discard any outdated or unneeded records. This would have made it much easier for her when searching for a specific document because she would not have had to shuffle through so many unnecessary records. Making a list of all accounts and passwords and keeping her financial records secure in a safe refers to security issues that are not relevant to Kamryn's situation. Duplicating each record to have extra copies would have only further overwhelmed her with outdated or unneeded financial records.

SOURCE: Spending Grade 12

SOURCE: Ameriprise Financial. (2025). *How to keep your financial records organized.* Retrieved February 6, 2025, from <https://www.ameriprise.com/financial-goals-priorities/personal-finance/organizing-your-financial-records>

71. B

Is issued to employees on a company payroll. A W-2 form is a tax form given to employees by their employer that reports wages, taxes withheld, and other compensation details. A 1099 form is a form given to independent contractors and reports income earned from non-payroll work. Therefore, W-2 forms are issued to employees on a company payroll, whereas 1099 forms list the gross payments made to non-payroll workers and independent contractors. Additionally, 1099 forms do not report any tax information.

SOURCE: Earning Income Grade 12

SOURCE: Paychex Inc. (2024, October 31). *1099 vs. W-2 tax guide form guide: What employers need to know.* Retrieved February 4, 2025, from <https://www.paychex.com/articles/payroll-taxes/1099-vs-w2-when-should-employers-use-these-tax-forms>

72. A

Job #2, because it offers strong intangible benefits despite lower salary and weaker benefits. In this scenario, Job #2 offers the best non-income factors for Carmelo. It offers intangible benefits—non-monetary perks that impact workplace culture, personal growth, and job satisfaction—such as a strong workplace environment, low employee turnover, and the opportunity for skill development and mentorship. Job #1 offers strong tangible benefits, such as a higher salary and a better benefits package, which are income factors usually considered for a job offer. A lower salary and weaker benefits package are not non-income factors. While a working environment that requires some changes to improve is a non-income factor, it is not more desirable than the strong intangible benefits of Job #2.

SOURCE: Earning Income Grade 12

SOURCE: Becker, J. (2025). *12 factors to look for in a job other than a paycheck*. Retrieved February 3, 2025, from <https://www.becomingminimalist.com/12-factors-to-look-for-in-a-job-other-than-a-paycheck>

73. D

Invest. Elevated inflation can discourage saving because it erodes the purchasing power of savings over time. This means that businesses are more likely to invest during these periods. There is no indication that businesses are more likely to sell or close during these periods. It is less likely for businesses to budget during periods of elevated inflation because the purchasing power of savings is decreasing.

SOURCE: Investing Grade 12

SOURCE: Floyd, D. (2024, October 29). *10 common effects of inflation*. Retrieved February 4, 2025, from <https://www.investopedia.com/articles/insights/122016/9-common-effects-inflation.asp#toc-7-inflation-lifts-growth-and-employment-in-the-short-term>

74. B

It offers businesses a chance to start fresh. Bankruptcy is a legal proceeding carried out when a person or business is unable to repay their outstanding debts. It offers an individual or business a chance for a fresh start, as it forgives debts they can't pay. With bankruptcy, creditors have the opportunity for repayment based on the individual's or business's assets available or liquidation. Bankruptcy is not a crime and, therefore, is not punishable by court.

SOURCE: Managing Credit Grade 12

SOURCE: Tuovila, A. (2024, October 28). *Bankruptcy explained: Types and how it works*. Retrieved January 31, 2025, from <https://www.investopedia.com/terms/b/bankruptcy.asp>

75. A

Sales. Sales tax is a tax collected from consumers at the point of purchase. Sales taxes are levied by state and local governments on most retail products. Sales taxes are a percentage of the total purchase price. Businesses are responsible for collecting sales taxes from customers and turning them over to the appropriate governments. Because Roman was taxed on the suit he bought, this is an example of a sales tax. An excise tax is an indirect tax charged on specific goods, such as gasoline and alcohol. Income tax is a portion of an individual's or business's earnings owed to the government. A payroll tax is an employment tax, paid by both employers and employees.

SOURCE: Earning Income Grade 12

SOURCE: LAP-EC-072—Pay Your Share (Business Taxes)

76. C

Risk assessment matrix. An important step in assessing the risks of personal decisions is analyzing the possible risks. After Nathalie has identified possible positive and negative outcomes, it is important to evaluate the risk of each option. One effective way to evaluate a risk is to determine probability—how likely an event is to occur—and magnitude—how serious the impact or consequences will be. She can evaluate the severity of a risk by using a risk assessment matrix. A balance sheet is a financial statement that captures the financial condition of the business at that particular moment, including its assets and liabilities. Cash flow analysis is the process of determining the amount of cash a business has to work with at any given time. Neither tool would be particularly useful for Nathalie's personal financial decision. Reputational risk exists because every time others witness your actions and behavior, they form an opinion about you. Nathalie could review the reputational risks of her financial decision in addition to her risk assessment matrix, not in place of it.

SOURCE: Spending Grade 12

SOURCE: LAP-EI-091—Worth the Risk (Assessing Risks of Personal Decisions)

77. C

Her portfolio is outperforming the benchmark. Comparing portfolio performance to a benchmark like the S&P 500 helps investors assess how well their investments are performing relative to a broad market measure. A positive tracking error means that the portfolio is outperforming the benchmark, while a negative tracking error means that the portfolio is underperforming. Valerie's tracking error is positive, meaning her investment decisions have generated returns above the benchmark. If it was performing the same as its benchmark (which is very unlikely), there would be zero tracking error. Understanding tracking error helps investors evaluate the risk and return profile of their portfolios relative to a standard.

SOURCE: Investing Grade 12

SOURCE: PIMCO. (2025). *Understanding benchmarks*. Retrieved February 5, 2025, from <https://www.pimco.com/us/en/resources/education/understanding-benchmarks>

78. A

Long-term. Saving for her child's future college fund is an example of a long-term goal, which will take Petra several years to reach. Examples of long-term financial goals include saving for college or retirement and paying off a mortgage. Short-term financial goals typically take less than a year to reach, such as saving for a purchase like a TV, concert ticket, or vacation. Process goals are the specific steps you take to achieve a larger goal. Performance goals typically specify what employees are expected to do at an organization. Neither is typically used to describe personal financial goals.

SOURCE: Spending Grade 12

SOURCE: Merrill. (2025). *5 tips to help you save for college*. Retrieved February 5, 2025, from <https://www.merrilledge.com/article/7-ways-to-save-for-college-education>

79. C

Interest starts accumulating the moment the loan is disbursed. Direct unsubsidized loans are available to undergraduate and graduate students, do not require students to demonstrate financial need, and start accruing interest the moment the loan is disbursed. Direct subsidized student loans are loans that are available to undergraduate students that demonstrate financial need. With direct subsidized loans, the U.S. Department of Education covers interest while you are in school and for the first six months after you graduate. Interest is charged with both types of loans.

SOURCE: Managing Credit Grade 12

SOURCE: Federal Student Aid. (n.d.). *Top 4 questions: Direct subsidized loans vs. direct unsubsidized loans*. Retrieved January 30, 2025, from <https://studentaid.gov/articles/subsidized-vs-unsubsidized-loans>

80. D

7. The Series 7 license is considered the gold standard, which allows holders to sell almost every investment product, such as stocks, bonds, options, mutual funds, and more. The Series 6, Series 65, and Series 63 licenses are some of the most popular licenses for financial professionals, but they are not referred to as the gold standard like the Series 7 license is.

SOURCE: Investing Grade 12

SOURCE: Depersio, G. (2024, June 26). *What licenses do financial advisors need to have?* Retrieved February 6, 2025, from <https://www.investopedia.com/ask/answers/091815/do-financial-advisors-have-be-licensed.asp>

81. D

Even if her bank fails, Elphaba will be able to withdraw all her money. The FDIC insures deposits up to a cap, meaning the depositor is guaranteed access to their money in the case of bank failure. The insurance limit is the maximum amount of money to be insured per depositor, not a requirement. Depositors do not have to pay premiums for FDIC insurance. With FDIC insurance, Elphaba can withdraw her money regardless of the bank failing.

SOURCE: Saving Grade 12

SOURCE: Federal Deposit Insurance Corporation. (2020, May 15). *What we do*. Retrieved February 3, 2025, from <https://www.fdic.gov/about/what-we-do>

82. A

0.5% to 0.75%. A reasonable expense ratio for an actively managed portfolio is about 0.5% to 0.75%. Anything greater than 1.5% would be considered high.

SOURCE: Investing Grade 12

SOURCE: Maverick, J.B. (2024, March 6). *What is a good expense ratio for mutual funds?* Retrieved February 5, 2025, from <https://www.investopedia.com/ask/answers/032715/when-expense-ratio-considered-high-and-when-it-considered-low.asp>

83. C

Charitable donations. A tax deduction is a reduction in the amount of an individual's taxable income. Charitable donations, mortgage loan interest, medical and dental expenses, and tuition and fees are some common tax deductions. A tax credit is a specified amount of money that can be subtracted from a taxpayer's amount owed in taxes. Adoption expenses are not a tax deduction; rather, they are eligible for the Adoption Tax Credit. Child and Dependent Care Credit and Saver's Credit are both tax credits. The Child and Dependent Care Credit is for childcare expenses and Saver's Credit is for retirement savings contributions.

SOURCE: Earning Income Grade 12

SOURCE: Lake, R. (2024, December 13). *Differences of tax credits vs. tax deductions*. Retrieved February 4, 2025, from <https://smartasset.com/taxes/tax-credits-vs-deductions-whats-the-difference>

84. D

Cheaper than an individual policy. Health insurance purchased through an employer usually costs less than individual policies because it can be purchased at group rates. While many companies may pay a portion of an employee's health benefits, companies typically do not cover the entire cost of them. The government does not typically cover the employee's cost for a health insurance policy.

SOURCE: Managing Risk Grade 12

SOURCE: Claxton, G., Rae, M., and Winger, A. (2024, May 28). *Employee-sponsored health insurance 101*. Retrieved February 6, 2025, from <https://www.kff.org/health-policy-101-employer-sponsored-health-insurance>



85. D

529 withdrawals are tax-free when used for education. The main benefit of 529 savings plans is the contributor pays no taxes on withdrawals used for approved education expenses. That said, the government does not match contributions. 529 plans do not typically accrue interest like savings accounts do, as the returns depend on the investment options chosen by the saver. The FDIC insures bank deposits, not 529 plans.

SOURCE: Saving Grade 12

SOURCE: Kagan, J. (2024, November 22). *529 plans: What it is, how it works, pros and cons*. Retrieved February 6, 2025, from <https://www.investopedia.com/terms/1/529plan.asp>

86. B

Payday loan. Alternative financial service is a term used to describe financial services offered by providers that operate outside of federally insured banks and thrifts. Examples of alternative financial services include pawnshops, check-cashing outlets, payday loans, and instant tax refunds. A payday loan is a short-term, high-cost loan (usually \$500 or less) that is typically due on your next paycheck. Because Alex borrows money that they must pay back (with interest) when they receive their next paycheck, this is an example of a payday loan. A pawnshop is where an individual can exchange an item of value (such as jewelry or collectibles) for a loan. An instant tax refund is a service that allows individuals to access their tax refund quickly, often during tax season. There is no indication that Alex visited a pawn shop or used an instant tax refund. Check-cashing outlets allow people without bank accounts to cash checks for a fee. Alex is not cashing a check in this scenario.

SOURCE: Managing Credit Grade 12

SOURCE: United Way Worldwide. (2024). *Understanding alternative financial service providers*. Retrieved January 31, 2025, from <https://www.unitedway.org/understanding-alternative-financial-service-providers>

87. D

Ongoing education. Returning to school to learn new skills can help employees excel in their current roles and advance in their careers. Jordynne understands the importance of learning new skills for her career, and she knows that enrolling in night classes will help her with that. There is not enough information provided to determine if she believes that working longer hours and prioritizing work over all else are reasons why she enrolled in night classes. Although Jordynne works with technology, this specific scenario best demonstrates how she understands the importance of ongoing education.

SOURCE: Earning Income Grade 12

SOURCE: Society Insurance Human Resources. (2021). *Continuing education benefits for employees & employers*. Retrieved February 3, 2025, from <https://societyinsurance.com/blog/continuing-education-benefits-for-employees-employers>

88. D

Insider trading. Insider trading is the practice of buying or selling a publicly traded company's stock based on private company information. The uptick in trading at a company right before the company announces a merger could be an indicator of insider trading since the merger is nonpublic knowledge, yet the investment activities signal that it has been made public to some. Corporate philanthropy occurs when a business promotes the welfare of others, generally through charitable donations of funds or time. A Ponzi scheme is a type of fraud that pays investors with money from new investors instead of from legitimate business profits. Market manipulation is a criminal act that involves attempting to mislead the market by providing false or misleading signals about financial instruments' supply, demand, or prices. Unlike insider trading, which relies on privileged information, manipulation focuses on engineering outcomes that benefit a few at the expense of many.

SOURCE: Investing Grade 12

SOURCE: Ita, D.A. (2024, September 23). *What is insider trading and when is it legal?* Retrieved February 5, 2025, from <https://www.investopedia.com/terms/i/insidertrading.asp#toc-understanding-insider-trading>

89. D

Payment history. A credit score is a three-digit number typically ranging from 350 to 850 and is one of the most important measures of your creditworthiness. A credit score is based on five factors: payment history, how much you owe, length of credit history, credit mix, and new credit. Of these five factors, payment history accounts for 35% of your credit score. Payment history shows whether you make payments on time, how often you miss payments, how many days past your due date you pay bills, etc. How much you owe accounts for 30% of your credit score. Length of credit history accounts for 15%, while credit mix and new credit each account for 10%.

SOURCE: Managing Credit Grade 12

SOURCE: FICO. (2025). *What's in my FICO scores?* Retrieved January 31, 2025, from <https://www.myfico.com/credit-education/whats-in-your-credit-score>

90. A

Wages. Earned income is income that is earned from work. Wages, salary, tips and commissions, and bonuses are all forms of earned income because they are the result of work or employment. Dividends from stocks, interest from savings accounts, and Social Security benefits are examples of unearned income—money obtained from non-employment-related sources.

SOURCE: Earning Income Grade 12

SOURCE: McMahon, M. (2024, May 17). *What is earned income?* Retrieved February 4, 2025, from <https://www.wisegeek.net/what-is-earned-income.htm>

91. A

Ensure that Chet is bound by a fiduciary duty. Checking that Chet is bound by a fiduciary duty is the best way for Les to ensure Chet will act in his best interest. This is because financial advisors who are bound by a fiduciary duty are obligated to act in their client's best interest rather than their own. Giving Chet a stern talking to about his expectations or taking his friend's word that Chet is trustworthy does not guarantee that Chet will act in his best interest. Researching how long Chet has been a financial advisor may communicate a level of experience, but it's important to remember that not all financial advisors are fiduciaries, so no number of years can communicate whether Chet will act in his client's best interest.

SOURCE: Investing Grade 12

SOURCE: Benson, A. (2024, April 23). *How to choose a financial advisor.* Retrieved February 6, 2025, from <https://www.nerdwallet.com/article/investing/how-to-choose-a-financial-advisor>

92. A

Consumers are spending less and saving more. The contraction phase of the business cycle is characterized by decreased demand for goods and services, rising unemployment, increased saving by consumers, and reduced sales and profits for businesses. This is considered to be a bad time for consumers and businesses. Consumers spend less and save more, buying only necessary goods and services. Similarly, businesses postpone purchasing new equipment, and few new businesses are started. All of this belt-tightening results in fewer sales and less profit for businesses. Some businesses not only no longer make profits but, in fact, experience losses. Businesses unable to cope with their losses are forced to close. Many jobs are lost, and the economic situation becomes even worse. As demand for goods and services continues to fall, businesses decrease production. Sales are sluggish, and inventories build up. When this happens, more workers lose their jobs or experience pay cuts, further decreasing demand for goods and services.

SOURCE: Earning Income Grade 12

SOURCE: LAP-EC-918—Boom or Bust (Impact of Business Cycles)



93. D

Ludwig's furniture is damaged in a fire. Renters insurance typically covers personal property (such as furniture or electronics) if it is stolen or damaged due to covered events, such as a fire or theft. Therefore, Ludwig's furniture would likely be covered. Raquel's home, Seth's roof, and Liv's shed are not covered by renters insurance. Rather, they would be covered by homeowners insurance, which covers the structure of a building, home, or a house's detached structures.

SOURCE: Managing Risk Grade 12

SOURCE: Investopedia. (2024, May 29). *Homeowners insurance vs. renters insurance: What's the difference?* Retrieved February 6, 2025, from <https://www.investopedia.com/ask/answers/101314/whats-difference-between-renters-insurance-and-homeowners-insurance.asp>

94. A

Long-term bonds are impacted by interest rate changes for a longer time. Long-term bonds are more impacted by interest rate changes because they last for a longer period of time. This means that any changes in interest rates will affect them for a longer time compared to short-term bonds. Short-term bonds generally carry less risk than long-term bonds. Interest rates are not inherently more likely to fall for long-term bonds than short-term bonds.

SOURCE: Investing Grade 12

SOURCE: Gallant, C. (2024, October 28). *Interest rate risk between long-term and short-term bonds*. Retrieved February 4, 2025, from <https://www.investopedia.com/ask/answers/05/lbbonrisk.asp>

95. D

Finance charges. A finance charge is interest charged on the outstanding balance of a credit account. In this scenario, Ty is charged interest on his outstanding balance after he did not pay his balance in full before the end of the payment period. An annual fee is an amount of money charged on a yearly basis for the privilege of using certain kinds of credit. A transaction fee is a charge to a merchant that results when customers pay by credit card. A set-up fee is a charge to merchants for setting up a system so that customers can pay by credit card.

SOURCE: Managing Credit Grade 12

SOURCE: LAP-FI-002—Give Credit Where Credit Is Due (Credit and Its Importance)

96. A

Inflation targeting. Most governments strive to keep their country's inflation rate (annual percentage change in inflation) somewhere above 0% and below 3%. When a government decides to pursue a specific inflation rate, such as country X aiming for 2.5% target inflation rate, it's known as inflation targeting. Hyperinflation refers to an environment in which prices are rising at a rapid or extremely high rate. Deflation is a steady decline in the general price levels of consumer goods and services over a period of time. Deflation is the opposite of inflation. Price stability is an economic environment in which prices don't change very rapidly and the value of money is stable.

SOURCE: Spending Grade 12

SOURCE: LAP-EC-083—Up, Up, and Away (Inflation)

97. A

Scholarship. A scholarship is a type of financial aid that does not need to be repaid and can be awarded based on academic achievement or merit, talent, a particular area of study, or a combination of multiple factors. Although many scholarships require students to submit an application, they are often viewed as a gift or free money to help pay for college. Scholarships can come from a variety of sources, including schools, employers, individuals, professional or social organizations, nonprofits, etc. Grants are similar to scholarships in that they typically do not need to be repaid. However, grants are given based on financial need rather than academic merit, talent, or a particular area. Grants can come from the federal or state government, a college, a nonprofit, or a private organization. A loan is money you borrow and must pay back with interest. Work-study is a way for students to earn money to pay for college while working part-time jobs. There is no indication that Darla received a work-study.

SOURCE: Managing Credit Grade 12

SOURCE: Drexel University School of Education. (n.d.). *Grants, scholarships, & loans: What's the difference?* Retrieved January 30, 2025, from <https://drexel.edu/soe/admissions/financial-aid/difference-between-student-grants-vs-loans>

98. C

You agree to a background check by a potential employer. A soft inquiry is a check on your credit for reasons unrelated to lending you money. Soft inquiries do not affect your credit score and are often done by you or a company. Agreeing to a background check by a potential employer will likely lead to a soft inquiry. A hard credit inquiry is a credit information request that includes your full credit report and deducts points from your credit score. Common examples of a hard inquiry include a bank or credit card company checking your credit after you apply for a loan or credit card, respectively. Applying for a mortgage loan will also lead to a hard inquiry.

SOURCE: Managing Credit Grade 12

SOURCE: Luthi, B. (2024, October 28). *Hard inquiry vs. soft inquiry: What's the difference?* Retrieved January 31, 2025, from <https://www.experian.com/blogs/ask-experian/hard-inquiry-vs-soft-inquiry>

99. B

Federal rates are typically higher than state tax rates. Federal tax is a tax levied by the United States government, while state taxes are levied by individual state governments. Federal tax rates are typically higher than state tax rates, as federal rates are progressive—meaning there is a more significant impact on high-income groups than low-income groups. State tax rates vary per state, with some states having no income tax and others having flat or progressive systems. States can and do have different credits and deductions that differ from federal rules. Federal and state tax withholdings are calculated separately; they differ based on deductions, tax rates, and state policies. State taxes is not another term for local taxes. Local taxes are imposed by local municipalities.

SOURCE: Earning Income Grade 12

SOURCE: LaPonsie, M. (2022, April 12). *Understanding federal vs. state vs. local taxes*. Retrieved February 4, 2025, from <https://money.usnews.com/money/personal-finance/articles/understanding-federal-vs-state-vs-local-taxes>

100. C

It is cheaper for employers compared to more traditional health plans. A High Deductible Health Plan (HDHP) is a health insurance plan that offers lower monthly premiums but higher out-of-pocket costs compared to more traditional health plans. Because HDHPs have lower monthly premiums compared to traditional health plans, they are more cost-effective for employers. Although they are growing in popularity, HDHPs are not more common than traditional Preferred Provider Organization (PPO) plans. With an HDHP, individuals pay more out-of-pocket expenses before insurance kicks in, which can make managing chronic illnesses more expensive.

SOURCE: Managing Risk Grade 12

SOURCE: Hong, R. (2024, December 20). *The pros & cons of a high deductible health plan (HDHP)*. Retrieved February 6, 2025, from <https://www.bennie.com/blog/pros-and-cons-of-an-hdhp>