Competency-Based
Competitive Events
Written Exam
For State/Province Use

Test Number 1334
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.

This comprehensive exam was developed by MBA Research exclusively for DECA's 2025-2026 Competitive Events Program. Items have been randomly selected from the MBA Research Test-Item Bank and represent a variety of instructional areas. Performance indicators for this exam are at the prerequisite, career-sustaining, specialist, manager, and owner levels. A descriptive key, including question sources and answer rationales, has been provided to the DECA chartered association advisor.

1. Raphael needs insurance that will cover any additional expenses if he is temporarily displaced from his home while it is being repaired or rebuilt. Raphael needs __________ coverage.
   A. personal liability
   B. personal property
   C. loss of use
   D. dwelling

2. While fixing a leak in his roof, Declan failed to secure his ladder properly. When Declan's teenage son, Max, began to climb up to help him with the roof, the ladder slipped, causing Max to fall and break his arm. The resulting broken arm is considered a(n)
   A. unsafe act.
   B. safety hazard.
   C. deductible.
   D. accident.

3. What type of information do truth-in-lending laws typically require lenders to provide to loan applicants?
   A. Copy of their credit report
   B. Scoring system used to evaluate credit
   C. The lender's current liabilities
   D. Annual percentage rate charged

4. Which of the following factors influences the time value of money:
   A. World events
   B. Banks
   C. Interest rates
   D. Financial needs

5. A good retirement plan usually accounts for increasing __________ costs.
   A. medical care
   B. mortgage
   C. life insurance
   D. legal

6. Diversification allows investors to grow their financial wealth while __________ risk by __________ volatility.
   A. minimizing; increasing
   B. minimizing; reducing
   C. maximizing; reducing
   D. maximizing; increasing

7. Nikola likes the idea of earning money through investing, but he is hesitant because he is afraid of losing money. He'd rather save his money than take even a small risk in investing. What type of behavioral bias does Nikola demonstrate?
   A. Overconfidence bias
   B. Mental accounting
   C. Loss aversion
   D. Anchoring bias

8. To delay payment when buying business supplies from a website, a purchaser is most likely to pay for the goods with a(n) __________ card.
   A. credit
   B. store-value
   C. ATM
   D. debit

9. Amira is trying to choose a financial institution. She likes to do her banking in person, and she wants to make sure she selects an institution that's customer friendly. She wants good interest rates and low fees, and she'd also prefer to invest with a not-for-profit institution. Amira should invest her money in a(n)
   A. commercial bank.
   B. credit union.
   C. investment bank.
   D. online bank.

10. Which of the following is an example of insurance fraud:
    A. An employee is injured at work and files a claim to collect disability payments.
    B. A woman exaggerates the value of diamond jewelry stolen from her home.
    C. A man crashes into a fence and files a claim for car repairs with his auto collision policy.
    D. A driver accidentally scratches another car in a parking lot and does not report it to law enforcement.

11. Mason is seeking a non-tax-deferred retirement plan. What retirement plan should Mason pursue?
    A. 401(k)
    B. Roth IRA
    C. 403(B)
    D. Traditional IRA

12. Which of the following is a benefit of using a debit card instead of a credit card:
    A. You can build your financial rating.
    B. You can spend more money at a time.
    C. There is no risk of going into debt.
    D. Expenses can be paid at a later date.

13. Which of the following businesses is the best example of an entrepreneurial venture:
    A. A bakery creates a "cretzel," a cross between a croissant and a pretzel, as a new product.
    B. A pumpkin farm offers pumpkin carving and costume contests to create more interest.
    C. A juice bar decides to purchase trucks to sell juice on location during special events.
    D. A veterinarian invents and sells a device to prevent horse water troughs from freezing.

14. Putting $100 in a savings account today and earning 4% interest over the next year illustrates the concept of
    A. inflationary impact.
    B. principal modification.
    C. the time value of money.
    D. opportunity cost.

15. Which of the following is an obstacle to meeting a financial goal of paying off credit card debt:
    A. Budgets
    B. Insurance copayments
    C. Interest on balances
    D. Deductibles

16. Which of the following types of broker usually charges the highest commissions:
    A. Discount
    B. Online
    C. Stock
    D. Full-service

17. When a lender rejects a consumer's loan application, what is it required to do?
    A. Inform the consumer about why the loan was denied
    B. Lower the consumer's credit score
    C. Report the denial on the consumer's credit report
    D. Verify the information in the consumer's credit report

18. A key difference between value stocks and growth stocks is that growth stocks
    A. are priced higher than the broader market.
    B. are relatively stable with low volatility.
    C. tend to be undervalued.
    D. have high dividend yields.

19. Which of the following is a characteristic of a financially responsible, single individual without dependents:
    A. Their insurance plans are more expensive.
    B. They have more capability to save.
    C. Their grocery store bills are larger.
    D. They regularly finance a college fund.

20. Arden's roof was damaged during a thunderstorm. What type of insurance claim should she file?
    A. Liability
    B. Life
    C. Homeowners
    D. Weather

21. Chloe is preparing her income tax return for the first time. She is a guest services coordinator, does not own any land or real estate, and has not inherited any money from a deceased relative within the last tax year. She will only be taxed on
    A. wealth.
    B. purchases.
    C. property.
    D. earnings.

22. Delia broke her hand while rock climbing and couldn't do her job for two months. What type of insurance would help Delia in this situation?
    A. Long-term disability
    B. Short-term disability
    C. Workers' compensation
    D. Personal liability

23. An increase in the overall cost of goods and services is known as
    A. deflation.
    B. investment.
    C. interest.
    D. inflation.

24. Regulatory agencies in the security and investment industry aim to keep markets fair by
    A. requiring corporate taxes.
    B. prohibiting misleading advertisements.
    C. preventing hiring discrimination.
    D. banning illegal insider trading.

25. Fundamentally, the decision to invest in a specific stock is a(n)
    A. reaction to the stock's recent price performance.
    B. forward-looking assessment of the company's future prospects.
    C. acceptance of a published analyst recommendation.
    D. measurement of the company's current assets and liabilities.

26. What type of auto insurance coverage will pay for damages to your vehicle if you crash your car into a highway guardrail?
    A. Collision
    B. Uninsured motorists
    C. Liability
    D. Gap

27. Tamil makes $50,000 a year and maintains a comfortable living. He can afford a nice apartment, pay his bills, and have leftover money for entertainment like movies and concerts. In 20 years, Tamil will likely need to earn ___________ to maintain his current living standard.
    A. more money
    B. less money
    C. hourly wages
    D. the same amount

28. Alisha wants to achieve her lifelong financial goal of owning a home. To do so, she needs a loan. Given her financial history, she will likely receive a secured loan, which means she will need to provide
    A. cash.
    B. collectibles.
    C. character witnesses.
    D. collateral.

29. What is the most likely result when you fail to make a personal loan payment within 7 days after the due date?
    A. A collection agency sues you to get payment.
    B. You default on your loan.
    C. You will need to pay a fine to your lender.
    D. The missed payment is reported to credit bureaus.

30. Which of the following accounts will likely incur a penalty if money is withdrawn before the maturity date:
    A. Savings account
    B. Checking account
    C. Certificate of deposit (CD)
    D. Credit card

31. Which of the following statements about a health savings account (HSA) is true:
    A. An individual’s contributions to an HSA are tax deductible.
    B. HSA contributions can be used to cover medical but not dental expenses.
    C. There is no amount maximum on yearly HSA contributions.
    D. HSAs can be funded by employees, employers, and medical professionals.

32. Which of the following are common sources of income during retirement:
    A. 401(k) plans, IRAs, and pensions
    B. College savings accounts, pensions, and 401(k) plans
    C. Pensions, college savings accounts, and IRAs
    D. IRAs, pensions, and college savings accounts

33. To protect yourself from becoming a victim of identity theft, you should
    A. avoid using a credit card for online purchases.
    B. never give your Social Security number to companies that do not legally need it.
    C. arrange to have a fraud alert placed on your credit report by a credit reporting agency.
    D. apply for a new Social Security card every five years.

34. What is one of the main purposes of establishing financial regulations?
    A. To push for change in banking laws.
    B. To maintain the integrity of the financial system.
    C. To protect institutions from customers.
    D. To maximize profits for the financial system.

35. Why should an investor who wants to actively trade their investment choose an ETF instead of a mutual fund?
    A. Mutual funds are not professionally managed.
    B. ETFs don't allow intraday trades or short selling.
    C. Mutual funds don't allow intraday trades or short selling.
    D. ETFs don't provide any access to small industries or niche markets.

36. When setting your financial goals, you should choose goals that are
    A. realistic and general.
    B. unrealistic and general.
    C. unrealistic and specific.
    D. realistic and specific.

37. Before selecting investments, Jasper asks himself how long he plans to stay invested. This is known as Jasper's
    A. liquidity need.
    B. time horizon.
    C. risk tolerance.
    D. level of competition.

38. When developing a personal budget and determining net cash flow, it is important to keep detailed records of all
    A. income sources.
    B. charitable contributions.
    C. set monthly expenses.
    D. income and spending.

39. Consumer protection is needed today because
    A. most businesses try to avoid their responsibilities to consumers.
    B. there are a limited number of choices for consumers to make.
    C. consumers want to look out for their own interests.
    D. many new products are complicated.

40. Rhea is 20 years old, and she wants to buy a house by the time she is 40 years old. Ideally, she'd like to invest a lump sum now and watch it grow over time, at an interest rate of 5% annually, until she has enough to make a down payment of $40,000 on the home. What is the minimum amount (rounded up to the nearest dollar) she should invest now to reach her goal in 20 years?
    A. $4,193
    B. $20,000
    C. $15,095
    D. $8,000

41. How can you tell if a stock is trending upward?
    A. Compare the previous close with the opening price.
    B. Look at the share volume.
    C. Examine the best bid/ask.
    D. Compare earnings per share with P/E ratio.

42. Late fees, interest charges, and difficulty qualifying for loans are all possible results of
    A. going to college.
    B. dropping out of school.
    C. paying credit card bills.
    D. using credit poorly.

43. Which of the following is an advantage of a certificate of deposit:
    A. Its fixed interest rate locks in a predictable rate of return.
    B. Its interest rates can change at any time.
    C. It does not have a penalty for making a withdrawal.
    D. It allows for the ability to add money over time.

44. Enzo wants to purchase stock in a public corporation. Where can he quickly find current financial information about the corporation's performance?
    A. A local newspaper
    B. The corporation's product catalog
    C. The corporation's website
    D. An employee handbook

45. Xander has just retired from his longtime job. His company provided him with a retirement fund that has been paid into for the duration of his career. This fund is paid for completely by his company and is paid out at a fixed monthly rate. Xander has received a
    A. 401(k).
    B. private checking account.
    C. pension.
    D. college savings account.

46. Which of the following is an example of an unsecured loan:
    A. Car loans
    B. Student loans
    C. Mortgage loans
    D. Land loans

47. What benefit is gained by selecting a discount broker to purchase securities?
    A. Ability to trade often with low fees
    B. Professional research about securities
    C. Portfolio management
    D. Personalized investment advice

48. Pedro Sanchez works as a loan processor for the MON Company, which is located in Smithsville. Pedro has recently approved an application to extend a $10,000 line of credit to Ms. Jones. Who is the creditor in this situation?
    A. Pedro Sanchez
    B. City of Smithsville
    C. MON Company
    D. Ms. Jones

49. Which of the following statements about the Free Application for Federal Student Aid (FAFSA) is true:
    A. It is expensive and very time-consuming to complete.
    B. It must be filed to receive federal financial aid.
    C. It is only applicable to low-income households.
    D. It must be completed after every academic year.

50. Individuals can verify the accuracy of their credit histories by reviewing a __________ that is obtained from a __________.
    A. credit certificate; credit union
    B. credit report; credit bureau
    C. bank statement; financial institution
    D. lending statement; tax agency

51. What do many businesses provide their employees to encourage them to continue their education to gain additional skills and knowledge?
    A. Workers' compensation
    B. Tuition reimbursement
    C. Expense account
    D. Discretionary income

52. Which of the following is an example of an individual setting a financial goal:
    A. Obtaining a credit card for emergencies
    B. Making a will to distribute personal assets
    C. Saving enough money to retire in 10 years
    D. Reviewing various health insurance options

53. Which of the following institutions benefits individuals and groups by channeling funds from savers to borrowers:
    A. Banks
    B. Income-tax preparers
    C. Property holders
    D. Nonprofit organizations

54. Many businesspeople are required to take continuing education classes to
    A. improve their standard of living.
    B. maintain their professional certifications.
    C. demonstrate their emotional intelligence.
    D. supplement their existing income.

55. Lee is a high school student interested in becoming an entrepreneur. What personal skills and interests should she have to be successful as an entrepreneur?
    A. A need for guidance
    B. A passion to solve issues
    C. A preference for stability
    D. A dislike for taking risks

56. Gavin was looking at his phone while driving and accidentally ran into a mailbox. What kind of auto insurance coverage is suitable for this situation?
    A. Medical payments
    B. Comprehensive
    C. Uninsured motorist
    D. Liability

57. Laney is a talented singer. Since age four, she has sung in community musicals, at church, and in school productions. She's 15 now and knows she wants a career as a singer. Her teacher announces a special career exploration program. Should Laney join?
    A. Yes, it is important to learn about many careers before selecting one.
    B. Yes, because career exploration will prove that her plans to be a singer are unrealistic.
    C. No, because a career as a singer does not follow a specific career path.
    D. No, it is important that Laney remain focused on her dream to be a singer.

58. Employee compensation is comprised of wages and
    A. promotions.
    B. taxes.
    C. benefits.
    D. discounts.

59. Joan has recently been given a $20 weekly allowance. She wants to be as effective with her money as possible, and she has already started to develop spending, saving, and sharing goals. What tool would best help Joan achieve these goals?
    A. A bank account
    B. A budget
    C. A checkbook
    D. A debit card

60. Who benefits the most when interest rates increase?
    A. Retailers
    B. Borrowers
    C. Manufacturers
    D. Lenders

61. Colin bought 35 shares of stock at $23.50 per share and recently sold all of the stock for $53.00 per share. What type of tax will Colin pay?
    A. Gift
    B. Sales
    C. Excise
    D. Capital gains

62. Taryn is choosing between two apartments. Which of the following factors is most important for her to consider to make a responsible financial decision:
    A. The cost of rent
    B. The size of the bedroom
    C. The location
    D. The appliances

63. A possible disadvantage of declaring bankruptcy is that it can
    A. liquidate your assets.
    B. raise interest rates.
    C. lower your credit rating.
    D. forgive your debts.

64. Which of the following is a source of career information that is available in most schools:
    A. Curriculum planner
    B. Guidance counselor
    C. Industry recruiter
    D. Admissions director

65. Which of the following is one of the most common indicators of excessive debt:
    A. Your credit cards are generally accepted.
    B. You only make minimum payments on bills.
    C. You have a small emergency fund.
    D. You know exactly how much you owe.

66. In most countries, credit reporting agencies are required to
    A. allow borrowers to remove criminal records from their credit histories.
    B. grant borrowers unlimited free access to their credit reports.
    C. provide borrowers yearly access to their credit reports for free.
    D. retain inaccurate credit information on an individual's credit report.

67. Bryant recently applied for a personal loan from the Mayville Community Credit Union, but his application was rejected. Bryant has a friend who works at the credit union, so he asked them what went wrong with his application. They told Bryant that the credit union's manager is prejudiced and rarely accepts applications from individuals of Bryant's religion. The credit union violated Bryant's right to
    A. proper notice of rejection.
    B. a guaranteed credit line.
    C. practice his religion.
    D. equal credit opportunity.

68. What is the best way for a college student with a credit card charging 2.5% annual interest to establish a good credit history and avoid paying additional interest?
    A. Transfer a student loan that will charge 4% interest upon graduation to the credit card
    B. Use the credit card for all purchases and pay the minimum payment each month
    C. Use the credit card to pay large tuition bills and make the minimum monthly payments
    D. Use the credit card to pay for routine expenses and pay the balance in full each month

69. Korie wants to purchase a new running jacket. She’s had her eye on a new, high-quality one from her favorite retailer, but she ends up purchasing a jacket from a store that offers a lower price. This is an example of a purchasing decision being influenced by
    A. a consumer budget.
    B. brand loyalty.
    C. the impact on the environment.
    D. peer pressure.

70. Darius buys a new pair of shoes for $49.99, but when he goes to check out, his total comes to $52.86. This added cost is due to __________ tax.
    A. excise
    B. payroll
    C. property
    D. sales

71. Individuals or families who want to purchase protection against financial loss would most likely consult a(n)
    A. insurance agent.
    B. real estate agent.
    C. financial advisor.
    D. stockbroker.

72. It is a good idea to purchase life insurance as a young adult because
    A. younger people pay lower premiums.
    B. young people often have dependents.
    C. policies have limited time periods.
    D. it takes time for the policy to become active.

73. Which of the following types of credit requires a down payment:
    A. Installment credit
    B. Open account credit
    C. Revolving credit
    D. Credit card

74. April considers herself a knowledgeable investor. Because of this, she is willing to accept that not all of the investments she makes will be profitable. April possesses what quality?
    A. Problem-solving skills
    B. Risk-taking ability
    C. Impulsive personality
    D. Sensitivity

75. Roman and Sam want to set aside money that will allow their daughter to pay for college in the future. What type of savings plan should they look into?
    A. Unsubsidized student loan
    B. 529 plan
    C. Traditional IRA
    D. Roth IRA

76. For which of the following costs do health insurance providers typically provide payment:
    A. Dental expenses for the cost of tooth extraction
    B. The cost of an open-heart surgery
    C. Attorney fees for a medical malpractice case
    D. Funeral expenses for a deceased person

77. When provided with financial information from a financial-services professional, it's always a good idea to
    A. trust that the information is reliable and trustworthy.
    B. refuse to accept it since financial-services providers cannot be trusted.
    C. determine whether the information is unbiased, accurate, and current.
    D. immediately take the steps recommended by the professional.

78. Calculate Jason's gross earnings for the pay period if his net pay is $796.84, his total tax obligation is $157.27, his medical insurance is $45.00, and his union dues are $15.00.
    A. $1,014.11
    B. $984.11
    C. $579.57
    D. $894.11

79. Which of the following are examples of deposit-taking financial institutions:
    A. Credit unions, savings and loan associations, and commercial banks
    B. Commercial banks, corporations, and mutual savings banks
    C. Commercial banks, credit unions, and brokerages
    D. Savings and loan associations, mutual savings banks, and insurance firms

80. Every month, Bennett pays a premium to a company in exchange for the company's promise to provide the funds needed for potential future losses. In other words, Bennett is paying for
    A. tax deductions.
    B. insurance.
    C. government assistance.
    D. retirement.

81. Employees who want to enhance their careers and progress through the management ranks should develop their
    A. leadership skills.
    B. job expectations.
    C. social contacts.
    D. artistic abilities.

82. When donating to charity, it’s important to visit each organization’s website. The organization should demonstrate ___________ by providing information about its mission, financials, and impact.
    A. transparency
    B. pride
    C. fairness
    D. respect

83. Businesses and individuals evaluate the quality and source of the information they obtain to make sure the information is
    A. random.
    B. useful.
    C. scientific.
    D. technical.

84. As Tom uses his credit card to make purchases in a responsible manner, he should remember that credit is a(n)
    A. tax.
    B. asset.
    C. privilege.
    D. loan.

85. To receive unemployment benefits, the beneficiary must
    A. be below a certain net worth.
    B. have a high school degree.
    C. be actively seeking work.
    D. have life insurance.

86. Which of the following enables you to make a purchase with money directly from a checking account:
    A. Credit card
    B. Collateral
    C. Cash
    D. Debit card

87. Jade's dental insurance makes dentist visits affordable, so she is able to go for regular checkups and receive treatment if she has any dental problems. This is an example of how insurance
    A. reduces the need for regular dentist visits.
    B. encourages better dental health.
    C. does not cover all procedures.
    D. removes stress in emergency situations.

88. Khadija invested in __________, which gives her voting rights at one vote per share.
    A. preferred stock
    B. dividends
    C. common stock
    D. cryptocurrency

89. Annie took out a loan for $6,000 to purchase some new display cases for her store. She agreed to pay $283.27 per month for 24 months. The bank did not require collateral for the loan. What is the approximate annual percentage rate (APR) for Annie's loan?
    A. 12.8%
    B. 16.5%
    C. 4.7%
    D. 21.2%

90. Which of the following statements is true regarding entrepreneurship:
    A. Personal traits are behaviors that cannot be strengthened.
    B. Entrepreneurship offers limited personal and financial growth possibilities.
    C. Most people have the ability to become entrepreneurs.
    D. Most entrepreneurs are born with the skills they need for success.

91. What is the key to successful investing?
    A. Avoiding opportunity costs
    B. Inflation
    C. The rule of 72
    D. Getting started early

92. Participating in school-operated programs such as the school store or library is one way that students might obtain
    A. college information.
    B. additional education.
    C. work experience.
    D. job approval.

93. Businesses that allow their employees to set their own schedules are offering
    A. part-time status.
    B. flextime.
    C. job sharing.
    D. time off.

94. The first time Noor's bills were due, she paid them on Tuesday after work. The next time, she paid them on Saturday morning before her family went camping. Noor forgot to pay her bills the next time they were due. The time after that, Noor almost forgot to pay again. What is most likely to help Noor remember to pay her bills?
    A. Ask a family member to remind her
    B. Pay all bills well before their due dates
    C. Schedule a weekly time to pay her bills
    D. Keep all bills in her top desk drawer

95. Imagine that a high school student younger than you asks for advice on how to obtain valuable work experience. Which of the following suggestions would be most helpful for your friend:
    A. "It's pretty rare for students your age to find anything worthwhile—just be patient."
    B. “Maybe you should ask your parents to help you find work opportunities.”
    C. “It's a good idea to complete some volunteer work before you search for a job.”
    D. “You should probably just wait to apply for jobs until you are older.”

96. To pay his student loans, Jerian elects a plan where he begins with low monthly payments that increase yearly. This is an example of a(n) __________ plan.
    A. graduated repayment
    B. consolidation
    C. income-driven
    D. standard repayment

97. Lyla recently earned her doctorate and wants to meet with a financial advisor to map out her financial future. Which of the following steps should she do first:
    A. Understand how financial advisors are compensated
    B. Check for complaints about the financial advisor
    C. Make sure the financial advisor has reputable credentials
    D. Determine what type of financial advisor she needs

98. Why do consumer credit laws prevent lenders from refusing loans to creditworthy individuals?
    A. Credit card debt improves the economy.
    B. The laws prevent high earners from being denied credit.
    C. Access to credit is an important financial tool.
    D. The laws are meant to increase the number of loans offered.

99. Kelly saved her money for two years to buy a car she wanted. Soon after, Kelly started saving for an expensive gaming system. Kelly's desire for more illustrates the concept that people's wants are
    A. noneconomic.
    B. unlimited.
    C. competing.
    D. varied.

100. A general rule about investment risk says the greater risk you are willing to take, the greater your potential gains and your potential
    A. taxes.
    B. time horizon.
    C. need for liquidity.
    D. losses.

1. C

Loss of use. Loss of use coverage helps homeowners pay for additional expenses they have incurred while their house is being repaired or restored. If Raphael's home is damaged or destroyed, loss of use coverage will help pay the temporary costs of living while awaiting repairs. Personal property coverage pays for an individual's personal items, such as furniture, clothing, or electronics. Personal liability coverage helps protect a homeowner if a legal suit is brought against them for bodily injury or property damage. Dwelling coverage is a type of home insurance that covers the actual costs to repair or rebuild a homeowner's house if it is damaged or destroyed.

SOURCE: FI:571 Determine insurance needs

SOURCE: Travelers. (2025). *Home insurance coverage*. Retrieved October 13, 2025, from https://www.travelers.com/home-insurance/coverage

2. D

Accident. Accidents usually result from safety hazards, and work-related accidents occur frequently. A safety hazard is an unsafe act or an unsafe condition. An unsafe act is behavior or actions that may be harmful or cause harm, such as driving a motor vehicle while intoxicated. A deductible is the amount of money you have to pay for a covered service or claim before your insurance starts paying.

SOURCE: OP:009 Explain procedures for handling accidents

SOURCE: Home Depot. (2024, August 12). *Accidents vs. incidents in workplace safety.* Retrieved October 13, 2025, from https://www.homedepot.com/c/ab/accidents-vs-incidents-in-workplace-safety/9ba683603be9fa5395fab901213521b7

3. D

Annual percentage rate charged. Truth-in-lending laws typically require lenders to reveal the true cost of a loan by providing information about interest rates and total repayment amounts. Lenders are not required to reveal their actual credit scoring system. Lenders are not required to provide copies of a consumer's credit report. Lenders are not required to provide their current liabilities to loan applicants.

SOURCE: BL:071 Discuss the nature of debtor-creditor relationships

SOURCE: Kenton, W. (2025, September 13). *Truth in Lending Act (TILA): Comprehensive consumer protections explained.* Retrieved October 13, 2025, from https://www.investopedia.com/terms/t/tila.asp

4. C

Interest rates. The value of your money changes over time due to many factors—inflation, interest rates, compounding, and even tax rates. That's why it's so important to save and invest wisely. The time value of money is not influenced by financial needs, banks, or world events.

SOURCE: FI:270 Explain the need to save and invest

SOURCE: Fernando, J. (2025, October 6). *Time value of money: What it is and how it works.* Retrieved October 13, 2025, from https://www.investopedia.com/terms/t/timevalueofmoney.asp

5. A

Medical care. The cost of medical care tends to increase significantly later in life, and a good retirement plan considers how to meet those costs. Usually by the time of retirement, the costs of a mortgage have been eliminated. There is usually less need for life insurance later in life. Legal costs are not a big consideration of retirement planning.

SOURCE: FI:569 Discuss the nature of retirement planning

SOURCE: Investopedia. (2025, June 11). *How to plan for medical expenses in retirement.* Retrieved October 13, 2025, from https://www.investopedia.com/retirement/how-plan-medical-expenses-retirement/

6. B

Minimizing; reducing. Diversification is spreading out your investment dollars among a number of different securities. By doing this, you are spreading risk across different types of assets, such as stocks, bonds, and cash. Diversification allows investors to accomplish the primary task of growing their financial wealth over time. At the same time, these investors are minimizing their risk by reducing volatility—a stock's movement in price. Diversification allows investors to reduce the risk of one particular stock and opens up the opportunity for more potential rewards by offering a broader exposure to various stocks and sectors.

SOURCE: FI:350 Describe the nature of diversification strategies

SOURCE: Segal, T. (2025, July 8). *What is diversification? Definition as an investing strategy.* Retrieved October 13, 2025, from https://www.investopedia.com/terms/d/diversification.asp

7. C

Loss aversion. Behavioral biases are unconscious beliefs that influence decisions when investing. Loss aversion refers to an investor's bias toward avoiding losses over seeking gains. Because Nikola is afraid of losing money and is hesitant to invest, he is demonstrating loss aversion. Overconfidence bias is a common tendency in investing in which individuals see themselves as better than they are, which can lead to the mismanagement of risk. Anchoring bias refers to the phenomenon where an individual values an initial piece of information too much to make subsequent judgments. Mental accounting is the concept where individuals treat money differently depending on where it comes from and what they think it should be used for. Nikola does not demonstrate overconfidence bias, anchoring bias, or mental accounting.

SOURCE: FI:349 Discuss the nature of investment risk

SOURCE: Vipond, T. (2015-2025). *Behavioral finance.* Retrieved October 13, 2025, from https://corporatefinanceinstitute.com/resources/career-map/sell-side/capital-markets/behavioral-finance/

8. A

Credit. Credit is the arrangement in which businesses and individuals can purchase now and pay later. One option businesses have to obtain credit is to secure credit cards from lending institutions. Businesses can obtain the goods and services they need right away, such as airline tickets and supplies, and then pay for the items when they receive their statement from their lending institutions. Businesses often purchase the things they need to operate effectively online. In fact, many web-based businesses will only accept credit cards as a form of payment. Debit cards, ATM cards, and store-value (gift) cards do not delay payment.

SOURCE: FI:058 Explain forms of financial exchange (cash, credit, debit, electronic funds transfer, etc.)

SOURCE: Hands on Banking. (2025). *Credit cards - Overview*. Retrieved October 13, 2025, from https://handsonbanking.org/resources/credit-cards

9. B

Credit union. Amira would likely be happy banking with a credit union. Credit unions are not-for-profit financial institutions that are owned by their members. Because of this, they have the customers' best interests at heart. They also usually have better interest rates and lower fees than some other types of financial institutions. If Amira enjoys doing her banking in person, an online bank would likely be a bad choice for her. Online banks do all of their transactions online. Amira also wouldn't be happy with a commercial bank. Although commercial banks offer a wide array of services, they do not always offer good interest rates. Investment banks don't accept deposits, so they wouldn't be a good choice for Amira. Instead of dealing with the general public, investment banks typically work with businesses.

SOURCE: FI:075 Describe types of financial-services providers

SOURCE: Horton, M. (2023, September 19). *Different types of financial institutions.* Retrieved October 13, 2025, from https://www.investopedia.com/ask/answers/061615/what-are-major-categories-financial-institutions-and-what-are-their-primary-roles.asp

10. B

A woman exaggerates the value of diamond jewelry stolen from her home. Insurance fraud is a crime that occurs when someone knowingly makes a false or misleading statement to an insurance company. It is legal for an employee to collect disability payments if they are injured at work and file a claim. Since auto collision policies provide payment for any damage caused by the driver, it is legal for a car owner to file a claim and collect payment if they damage their own vehicle. 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: OP:187 Discuss the nature of insurance fraud

SOURCE: Progressive. (1995-2025). *What is insurance fraud?* Retrieved October 13, 2025, from https://www.progressive.com/answers/insurance-fraud/

11. B

Roth IRA. 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. Traditional IRA, 401(k), and 403(B) plans are all tax-deferred retirement plans, meaning that employees put their earned income into their plans before taxes are deducted.

SOURCE: HR:476 Explain the nature of retirement plans

SOURCE: Charles Schwab & Co., Inc. (2025). *Roth IRA vs. traditional IRA.* Retrieved October 13, 2025, from https://www.schwab.com/ira/roth-vs-traditional-ira

12. C

There is no risk of going into debt. Debit cards withdraw money from your account in real time, so you will be cut off and notified if you spend too much. The most you will pay is an overdraft fee. In contrast, credit cards allow you to borrow money and pay it back later, with interest. You can spend more than you actually have, which results in debt. Credit cards, rather than debit cards, allow you to build your credit score to prove your financial stability to future employers and landlords. Debit cards do not allow you to pay expenses at a later date or to spend more money at a time than credit cards.

SOURCE: FI:058 Explain forms of financial exchange (cash, credit, debit, electronic funds transfer, etc.)

SOURCE: Burnette, M. (2025, February 3). *What is a debit card and how does it work?* Retrieved October 13, 2025, from https://www.nerdwallet.com/article/banking/what-is-a-debit-card

13. D

A veterinarian invents and sells a device to prevent horse water troughs from freezing. Creating a product to solve a problem and selling that product is a good example of an entrepreneurial venture because a need has been identified and met; the product solves a problem for consumers, while the resulting sales benefit the entrepreneur. A juice bar selling juice on location during special events expands its business but does not represent a new idea or problem solved. A pumpkin farm offering pumpkin carving and costume contests to create more interest is not creating something new or solving a problem. A “cretzel” might be a new creative pastry, but there is no indication that it meets an identified consumer need.

SOURCE: EN:039 Describe the nature of entrepreneurship

SOURCE: Hayes, A. (2025, September 23). *Entrepreneur: What it means to be one and how to get started.* Retrieved October 13, 2025, from https://www.investopedia.com/terms/e/entrepreneur.asp

14. C

The time value of money. The term "time value of money" refers to the increase of an amount of money as a result of interest or dividends earned. A basic illustration of the time value of money is money and the interest it earns in a savings account. Principal is the deposited amount, which is not modified. Opportunity cost is what you have to give up when you make a choice. In this case, the opportunity cost of depositing $100 is spending it on something else. Inflation has a negative impact on the time value of money.

SOURCE: FI:062 Explain the time value of money

SOURCE: Corporate Finance Institute. (2015-2025). *Time value of money*. Retrieved October 13, 2025, from https://corporatefinanceinstitute.com/resources/valuation/time-value-of-money/

15. C

Interest on balances. Interest increases the amount of money owed if a balance remains on a credit card. Interest can make it difficult to pay off a credit card because the balance continues to grow. Budgets are tools to allocate money to achieving financial goals. A deductible is the amount of money paid for services before insurance kicks in. Insurance copayments are just the portion of a medical bill that a person will pay, while insurance pays for the remainder of the cost.

SOURCE: FI:065 Set financial goals

SOURCE: Kagan, J. (2025, May 3). *Credit card debt: What it is, how it works*. Retrieved October 13, 2025, from https://www.investopedia.com/terms/c/credit-card-debt.asp

16. D

Full-service. Full-service brokers usually charge the highest commissions because they provide in-house research and personalized investment guidance. Discount brokers have lower commissions, and online brokers often have even lower commissions than discount brokers. All of these types of brokers trade stocks.

SOURCE: FI:075 Describe types of financial-services providers

SOURCE: Kennon, J. (2021, December 14). *The new investor's complete guide to brokers.* Retrieved October 13, 2025, from https://www.thebalancemoney.com/the-new-investor-s-complete-guide-to-brokers-357412

17. A

Inform the consumer about why the loan was denied. Lenders are required to inform consumers within 30 days concerning any denied loan. Credit reports do not show whether a loan application is approved or declined, only that it was requested. Only a credit bureau has the authority to lower credit scores. A lender typically does not verify information in a consumer's credit report unless the consumer requests it to.

SOURCE: FI:063 Explain legal responsibilities associated with consumer financial products and services

SOURCE: Rivera, H. (2025, April 28). *What to do if you are denied a loan.* Retrieved October 13, 2025, from https://www.bankrate.com/loans/personal-loans/what-to-do-if-you-are-denied-a-loan/

18. A

Are priced higher than the broader market. Growth stocks are stocks of companies that have high potential to outperform the overall market over time due to their future potential. Value stocks are stocks currently trading below what they are really worth, meaning they will provide a superior return. Growth stocks are typically overvalued, meaning they are priced higher than the broader market. Value stocks tend to be undervalued, meaning they are priced lower than the broader market. Growth stocks are high risk with more volatility, while value stocks are relatively stable with low volatility. Growth stocks have low or no dividend yields, while value stocks have high dividend yields.

SOURCE: PD:309 Explain the nature of stocks

SOURCE: Cussen, M.P. (2024, October 4). *Value or growth stocks: Which is better?* Retrieved October 13, 2025, from https://www.investopedia.com/articles/professionals/072415/value-or-growth-stocks-which-best.asp

19. B

They have more capability to save. A characteristic of a financially responsible, single individual without dependents is that they have more capability to save. Although it may be harder for a single individual to save because they are relying solely on their own income, they do not have to pay for common expenses that come with having children. This, in turn, gives them a greater capability to save because they are spending money to take care of just themselves. The grocery store bill for a single person will be cheaper because they are buying for themselves rather than a family. An individual with dependents would often start a college fund for their children and would regularly contribute to it. That is not something a single individual without dependents has to worry about. In addition, a single individual without dependents will have smaller (and less expensive) insurance plans than someone who has dependents.

SOURCE: FI:783 Make responsible financial decisions

SOURCE: Fontinelle, A. (2022, September 7). *The changing notion of a family and its unique financial needs*. Retrieved October 13, 2025, from https://blog.massmutual.com/planning/different-types-of-families#alone

20. C

Homeowners. Homeowners insurance covers damage to a house's structure that occurs during destructive events. Roof damage during a thunderstorm would be covered under homeowners insurance. Weather insurance is usually purchased for events such as outdoor concerts and sporting events, rather than for homes. Life insurance provides a sum to a person's family upon their death. Liability insurance protects individuals or businesses when they are at fault.

SOURCE: PD:321 Discuss components of homeowners/renters insurance

SOURCE: Kagan, J. (2025, August 2). *What is homeowners insurance and how does it work?* Retrieved October 13, 2025, from https://www.investopedia.com/terms/h/homeowners-insurance.asp

21. D

Earnings. Her employer will have kept track of her earnings and withheld the correct amount from each paycheck. She will not pay a tax on property because she does not own land or real estate. She has not inherited any money from a relative, or received a large gift of money so she will not have to pay taxes on wealth. She pays taxes on purchases when she makes those purchases, not when she prepares her income taxes.

SOURCE: FI:067 Explain the nature of tax liabilities

SOURCE: Investopedia. (2025, September 10). *Tax liability: Definition, calculation, and example*. Retrieved October 13, 2025, from https://www.investopedia.com/terms/t/taxliability.asp

22. B

Short-term disability. Short-term disability insurance temporarily pays a percentage of your salary if you get hurt and cannot work. Delia would benefit from short-term disability insurance because she cannot perform her job and receive wages for two months. Long-term disability would not be appropriate because Delia does not have a long-term disability that requires indefinite support. Personal liability insurance protects you if someone else is injured or hurt on your property. Workers' compensation is only used in situations when a person is injured at work, which Delia was not.

SOURCE: PD:324 Describe the nature of disability insurance

SOURCE: Fernando, J. (2021, February 21). *What is disability insurance? Definition and how it protects you.* Retrieved October 13, 2025, from https://www.investopedia.com/terms/d/disability-insurance.asp

23. D

Inflation. An increase in the overall cost of goods and services is known as inflation. What your dollar buys today won't be the same as what it buys next year. Over the years, the value of money declines. Interest is the reward or cost of lending or borrowing money, usually figured as a percentage of the amount. Deflation is a decrease in the overall cost of goods and services. Investment is using money to make money.

SOURCE: FI:270 Explain the need to save and invest

SOURCE: Equifax. (2025). *What is inflation?* Retrieved October 13, 2025, from https://www.equifax.com/personal/education/personal-finance/articles/-/learn/what-is-inflation/

24. D

Banning illegal insider trading. Illegal insider trading occurs when a person sells or buys a security because of knowledge that is not public. This activity is illegal because it would be unfair for certain people to base decisions on knowledge that the general public does not have. By banning this practice, the market is fairer. Corporate taxes, hiring discrimination, and misleading advertisements are not related to the securities and investments industry.

SOURCE: BL:105 Discuss laws and regulations governing the securities and investments industry

SOURCE: U.S. Securities and Exchange Commission. (2023, August 9). *Mission.* Retrieved October 13, 2025, from https://www.sec.gov/about/mission

25. B

Forward-looking assessment of the company's future prospects. Regarding stock investments, expectations of future performance primarily drive investors' actions. While an investor would likely consider the stock's recent performance, the company's book value, and recommendations from analysts, the fundamental decision is the belief in the stock's future value.

SOURCE: PD:238 Explain causes of stock price fluctuations

SOURCE: Hayes, A. (2025, April 28). *Market psychology: What is it and predictions.* Retrieved October 13, 2025, from https://www.investopedia.com/terms/m/marketpsychology.asp

26. A

Collision. The collision coverage portion of auto insurance pays to repair damage to your car if your car crashes into an object, such as a highway guardrail, hits another vehicle, or flips over. Uninsured motorist insurance specifically covers injuries to you and damage to your auto caused by uninsured motorists. Liability insurance only pays for damage and injuries you cause others in accidents. Gap insurance is an insurance product that covers the difference between the amount owed on a loan or lease and the amount an auto insurer is willing to pay for a heavily damaged car.

SOURCE: FI:081 Describe the concept of insurance

SOURCE: Gula, D. (2023, March 13). *What does car insurance cover?* Retrieved October 13, 2025, from https://www.nerdwallet.com/article/insurance/what-does-car-insurance-cover

27. A

More money. Inflation is an increase in the cost of goods and services over time, which means that the same amount of money now cannot buy as much as it could in a prior period. Over time, Tamil's $50,000 salary will be able to buy fewer goods and services. So, he will need to earn more than he is currently earning to maintain his comfortable lifestyle in the future. Earning less or the same will not give Tamil enough purchasing power to maintain his current living standard. Earning hourly wages does not have a direct effect on Tamil's ability to maintain his living standard, because it depends on how much he makes per hour.

SOURCE: FI:238 Calculate the time value of money

SOURCE: Fernando, J. (2025, February 25). *Inflation: What it is and how to control inflation rates*. Retrieved October 13, 2025, from https://www.investopedia.com/terms/i/inflation.asp

28. D

Collateral. Collateral is anything of value belonging to the borrower that is pledged to the lender to guarantee that the loan will be repaid. Secured loans are backed by assets, so if Alisha wants to take advantage of this loan, she needs to provide an asset in the form of collateral. A character witness is someone who can speak to the good reputation of another person. Collectibles are objects collected by someone who has an interest in a sport, activity, etc. In investing, the collector hopes to eventually resell the items at a profit. Character witnesses, cash, and collectibles are not necessary to provide to receive a secured loan.

SOURCE: FI:625 Apply for a consumer loan

SOURCE: Irby, L. (2022, May 18). *Secured loans vs. unsecured loans: What's the difference*? Retrieved October 13, 2025, from https://www.thebalancemoney.com/how-secured-loans-are-different-from-unsecured-loans-960032

29. C

You will need to pay a fine to your lender. When you fail to make a personal loan payment within 7 days after the due date, you are likely going to pay a fine to your lender. The size of these fines will vary depending on the lender. However, lenders typically don't report missed personal loan payments to credit bureaus until one billing cycle (30 days) has passed. Because of this, the closer to the due date you make the payment, the better. If you are 30 to 60 days late on your loan payment, your account is considered delinquent and your lender will likely report the missed payment to credit bureaus. If you go more than 90 days without making a payment on your loan, your account transitions from delinquency to default status (failing to repay the loan according to the loan agreement terms). After 120 days or more, the lender will typically charge off your account, meaning the lender has given up trying to collect money from you and has sold your debt to a third-party collection agency. From there, the collection agency attempts to collect from you and has the right to sue you to get payment.

SOURCE: FI:071 Demonstrate the wise use of credit

SOURCE: Axelton, K. (2024, September 25). *What happens if you don't pay back a personal loan?* Retrieved October 13, 2025, from https://www.experian.com/blogs/ask-experian/what-happens-if-you-dont-pay-back-personal-loan/

30. C

Certificate of deposit (CD). Certificates of deposit (CDs) are lending investments in which individuals lend money to a bank to earn a set rate of interest for a specified period of time. While withdrawals can be made prematurely, they often incur penalties. Checking and savings accounts do not typically have a maturity date, so withdrawals do not lead to penalties. A credit card is a type of credit issued by banks that enables the cardholder to make purchases; you do not make withdrawals from a credit card.

SOURCE: PD:154 Describe types of personal banking products and services

SOURCE: Martins, A. (2025, May 22). *Certificates of deposit (CDs) vs. savings accounts: Which is better for you?* Retrieved October 13, 2025, from https://www.investopedia.com/cds-vs-savings-accounts-5270287

31. A

An individual’s contributions to an HSA are tax deductible. A health savings account (HSA) is a tax-advantaged account available to eligible individuals to help save for qualified medical expenses. To be eligible for an HSA, you must be covered under a high-deductible health plan. A benefit of HSAs is that they are tax deductible, so you can subtract that amount from your taxable income to lower taxes owed. HSAs can be funded by employees and employers, but not medical professionals. HSA contributions can cover both medical and dental expenses. There is a limit on HSA contributions each year.

SOURCE: FI:081 Describe the concept of insurance

SOURCE: Kagan, J. (2025, September 20). *Health savings accounts (HSAs): Benefits, rules & limits.* Retrieved October 13, 2025, from https://www.investopedia.com/terms/h/hsa.asp

32. A

401(k) plans, IRAs, and pensions. Common sources of income for retirees include 401(k) plans, individual retirement accounts (IRAs), and pensions. A 401(k) plan is an employee-sponsored, tax-deferred retirement plan. An IRA is a tax-deferred retirement plan, usually for people not covered by a 401(k) plan. A pension is a retirement fund that has been paid into by an employee or employer. A college savings account, which is an investment vehicle used to save funds for college, is not a source of retirement income.

SOURCE: FI:569 Discuss the nature of retirement planning

SOURCE: O'Connell, B. (2024, April 25). *10 essential sources of retirement income.* Retrieved October 13, 2025, from https://money.usnews.com/money/retirement/articles/10-essential-sources-of-retirement-income

33. B

Never give your Social Security number to companies that do not legally need it. You should only give your Social Security number to institutions that are legally required to have it. Frequently providing your Social Security number to others puts you at more risk of identity theft. A fraud alert is typically placed on your credit report after your identity has been stolen; placing one before that would make it very difficult to use your personal credit. There is no reason to apply for a new Social Security card unless you have lost it or your identity has been compromised by fraud. As long as a website is reputable, it should be safe to pay online with a credit card because the information is usually encrypted, and fraudulent credit card charges can be disputed if necessary.

SOURCE: FI:073 Protect against identity theft

SOURCE: Barroso, A. (2024, September 25). *How to prevent identity theft: Warning signs, protection services and more.* Retrieved October 13, 2025, from https://www.nerdwallet.com/article/finance/how-to-prevent-identity-theft

34. B

To maintain the integrity of the financial system. Financial regulations are a form of supervision of financial markets and institutions. One of the main purposes of financial regulations is to maintain the integrity of the financial system. They also aim to enforce applicable laws, protect clients, prosecute cases of market misconduct, maintain confidence in the financial system, etc. Pushing for change in banking laws, maximizing profits for the financial system, and protecting institutions from customers are not the purposes of financial regulations.

SOURCE: BL:093 Discuss federal regulation of operations functions in banking services

SOURCE: Schmidt, M. (2025, May 20). *Financial regulators: Who they are and what they do.* Retrieved October 13, 2025, from https://www.investopedia.com/articles/economics/09/financial-regulatory-body.asp

35. C

Mutual funds don't allow intraday trades or short selling. An investor who desires to actively trade their investments should choose ETFs, because ETFs allow them to use intraday trades, limit orders, and sell short. These types of actions are not possible with mutual funds that cannot be traded during open stock exchange hours; instead, their price is set at the end of each trading day. ETFs provide more access to small industries or niche markets than mutual funds typically do. Both ETFs and mutual funds are professionally managed portfolios containing a mix of stocks, commodities, or bonds.

SOURCE: PD:304 Describe the nature of mutual funds

SOURCE: Pareto, C. (2025, August 31). *Mutual funds vs. ETFs: Key differences and investment insights.* Retrieved October 13, 2025, from https://www.investopedia.com/articles/exchangetradedfunds/08/etf-mutual-fund-difference.asp

36. D

Realistic and specific. When setting goals, it's important to be as specific as possible. You should determine an amount, a purpose, and a time frame for the money you plan to save. It's also important to be realistic. You don't want to get discouraged by setting a goal you have no chance of reaching.

SOURCE: FI:065 Set financial goals

SOURCE: Corporate Finance Institute. (2015-2025). *SMART goals.* Retrieved October 13, 2025, from https://corporatefinanceinstitute.com/resources/management/smart-goal/

37. B

Time horizon. By asking himself how long he plans to stay invested, Jasper is considering his time horizon. The longer he invests his money, the more time Jasper's money has to grow. Risk tolerance is a measure of how much risk an investor is willing to accept in exchange for potentially high returns. Liquidity is the ability to be converted into cash. Level of competition is not related to the length of time for staying invested.

SOURCE: FI:279 Explain factors to consider when selecting investments

SOURCE: Fidelity Smart Money. (2025, March 4). *4 steps to picking your investments.* Retrieved October 13, 2025, from https://www.fidelity.com/learning-center/smart-money/how-to-pick-investments

38. D

Income and spending. To determine your net cash flow and develop an accurate personal budget, you must account for all income and spending. Set monthly expenses, income, and charitable contributions impact a personal budget and net cash flow, but any one of these alone is not sufficient to create the budget and determine cash flow.

SOURCE: FI:066 Develop personal budget

SOURCE: Morah, C. (2025, January 3). *Evaluating your personal financial statement.* Retrieved October 13, 2025, from https://www.investopedia.com/articles/pf/08/evaluate-personal-financial-statement.asp

39. D

Many new products are complicated. The number of products available on the market today makes consumer protection necessary. There are so many products offered for sale that consumers have difficulty making choices. In addition, many of these products are complicated and may be difficult for consumers to understand. Although many consumers are able to look out for their own interests in an effective manner, some consumers can't do this. These consumers may include children who can't read yet or who don't understand what they read, individuals for whom English is a second language, elderly people who can't see or hear well enough to understand product information, or individuals who simply don't have the mental capacity to be good shoppers. Most businesses understand that when they protect consumers, they are, in effect, protecting themselves. They recognize, rather than avoid, their social responsibility to consumers.

SOURCE: PM:017 Identify consumer protection provisions of appropriate agencies

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

40. C

$15,095. To determine how much money Rhea needs to invest to reach her goal, use the time value of money formula, which is Present Value = Future Value / (1 + interest rate)period. First, determine the future value of the investment, which is $40,000. Then, determine the interest rate, which is 5%, and the number of periods (20 years). Next, add one to the interest rate and raise that sum to the power of the number of periods (1 + 5% [or .05] = 1.05; 1.0520 = 2.65). Finally, divide the future value by this product to determine the present value ($40,000 / 2.65 = $15,094.34). Therefore, Rhea needs to invest about $15,095 to reach her goal.

SOURCE: FI:238 Calculate the time value of money

SOURCE: Fernando, J. (2025, October 6). *Time value of money: What it is and how it works.* Retrieved October 13, 2025, from https://www.investopedia.com/terms/t/timevalueofmoney.asp

41. A

Compare the previous close with the opening price. Previous close is the price at which a stock sold at the close of the previous day. Opening price is the price at which it sold at the beginning of the current day. Comparing these two numbers allows you to see if a stock is trending upward or downward. The best bid is the highest price that investors are willing to pay, whereas the best ask is the lowest price at which investors are willing to sell. This does not necessarily tell you whether the stock is trending upward. Share volume is the total number of shares traded during the current day. On its own, it does not tell you whether a stock is trending upward or downward. Earnings per share is the portion of the company's profit allocated to each share of stock. The P/E ratio is the current share price relative to its earnings per share. Comparing these two will not necessarily tell you whether the stock is trending upward.

SOURCE: FI:275 Interpret securities table

SOURCE: Hayes, A. (2025, March 13). *Understanding a stock quote.* Retrieved October 13, 2025, from https://www.investopedia.com/articles/investing/093014/stock-quotes-explained.asp

42. D

Using credit poorly. It is important to use credit wisely to avoid potential late fees, interest charges, and credit score decreases that can make it difficult to qualify for loans. These are all possible results of using credit poorly. They are not results of dropping out of school or going to college. Paying your credit card bills would prevent late fees, interest charges, and credit score decreases—not cause them.

SOURCE: FI:071 Demonstrate the wise use of credit

SOURCE: Hands on Banking. (2025). *What is credit?* Retrieved October 13, 2025, from https://handsonbanking.org/resources/what-is-credit

43. A

Its fixed interest rate locks in a predictable rate of return. A certificate of deposit (CD) is a type of savings account that holds a fixed amount of money for a fixed period of time (6 months, 1 year, 5 years, etc.). In exchange, the issuing bank pays interest. When you redeem your CD, you receive the money you originally invested plus any interest. An advantage of a CD is that its fixed interest rate locks in a predictable rate of return, meaning its interest rate does not change over time. A disadvantage of CDs is that you cannot make a withdrawal before the term ends without facing a penalty. In addition, CDs do not allow you to add more money after the initial deposit. High-yield savings accounts do not have a penalty for making a withdrawal, allow you to add money over time, and have interest rates that can change at any time.

SOURCE: PD:154 Describe types of personal banking products and services

SOURCE: Burnette, M. (2025, March 27). *CD vs. high-yield savings account: Which should I choose?* Retrieved October 13, 2025, from https://www.nerdwallet.com/article/banking/faq-cd-or-highyield-savings

44. C

The corporation's website. Public corporations are legally required to release their financial statements. Shareholders and potential investors evaluate the financial statements so they can make informed investing decisions. The financial statements are included in the company's annual report. One way that public corporations make their annual reports available for review is by posting them on their company websites. An employee handbook, a local newspaper, and a product catalog are unlikely to contain current financial information about a public corporation.

SOURCE: FI:274 Describe sources of securities information

SOURCE: FINRA. (2023, May 31). *Stock up on information before buying stock.* Retrieved October 13, 2025, from https://www.finra.org/investors/insights/stock-information-buying-stock

45. C

Pension. A pension is a retirement fund that has been paid into by an employer. Pensions offer a fixed monthly payment upon retirement. A 401(k) is paid into by both the employee and employer, and is less stable than a pension. A college savings account, which is an investment vehicle used to save funds for college, is not a source of retirement income. A private checking account is typically not provided by a company and is not a source of retirement income.

SOURCE: FI:569 Discuss the nature of retirement planning

SOURCE: Gratton, P. (2025, April 5). *What is a pension? Types of plans and taxation.* Retrieved October 13, 2025, from https://www.investopedia.com/terms/p/pensionplan.asp

46. B

Student loans. 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. Common types of unsecured loans include student loans, personal loans, and revolving loans. Car loans, mortgages, and land loans are each an example of secured loans—a type of loan in which the borrower pledges to the lender some valuable possession as collateral, or security, to guarantee that the loan will be repaid.

SOURCE: PD:154 Describe types of personal banking products and services

SOURCE: Brown, J. (2025, August 24). *Secured vs. unsecured personal loans: Key differences.* Retrieved October 13, 2025, from https://www.bankrate.com/loans/personal-loans/secured-vs-unsecured-personal-loans/

47. A

Ability to trade often with low fees. Discount brokers are advantageous to investors who buy and sell securities frequently because they have lower fees and commissions than full-service brokers do. Discount brokers, however, do not provide research, investment advice, or portfolio management services like full-service brokers.

SOURCE: PD:234 Discuss considerations in selecting a securities sales agent

SOURCE: Banton, C. (204, April 4). *Discount broker: Definition, what they do, downsides, and cost.* Retrieved October 13, 2025, from https://www.investopedia.com/terms/d/discountbroker.asp

48. C

MON Company. The debtor is the individual or business that owes money to another individual or business, which is the creditor. In the situation presented, MON Company is the creditor because the company has the finances to extend credit to Ms. Jones (the debtor), allowing her to pay later. Pedro Sanchez is an employee of the creditor. The location of the company is not a factor in determining the debtor-creditor relationship.

SOURCE: BL:071 Discuss the nature of debtor-creditor relationships

SOURCE: Nelson, N. (2021, March 12). *Understanding the debtor-creditor relationship.* Retrieved October 13, 2025, from https://www.wolterskluwer.com/en/expert-insights/understanding-the-debtor-creditor-relationship

49. B

It must be filed to receive federal financial aid. The FAFSA is a form that must be completed to receive any financial aid from the federal government to help pay for college. If the FAFSA is not filled out and submitted, a college student is not eligible to receive financial aid from the federal government. The FAFSA must be completed before the start of each academic year in which you want to receive aid. Although the FAFSA typically takes about an hour to complete, it does not cost any money. Anyone, no matter the average income of their household, is eligible for federal financial aid and can complete the FAFSA.

SOURCE: FI:831 Discuss options for financing a college education

SOURCE: College Board. (2025). *Frequently asked questions about the FAFSA (Free Application for Federal Student Aid).* Retrieved October 13, 2025, from https://bigfuture.collegeboard.org/pay-for-college/get-help-paying-for-college/fafsa/faq

50. B

Credit report; credit bureau. Because businesses often base their decisions about extending credit or providing a loan on credit history, it is important for individuals and businesses to periodically check and ensure that their credit information is accurate. Credit history is provided in the form of a credit report. By reviewing the credit report, individuals and businesses can determine if there are any problems (e.g., identity theft) or discrepancies on the report that need to be resolved. Credit reports are available through recognized credit bureaus or agencies, which maintain files of credit information on individuals and businesses. Credit histories are not documented on bank statements, lending statements, or credit certificates. The primary purpose of financial institutions, tax agencies, and credit unions is not to maintain comprehensive credit histories for individuals and businesses.

SOURCE: FI:072 Validate credit history

SOURCE: Federal Trade Commission. (n.d.). *Free credit reports.* Retrieved October 13, 2025, from https://consumer.ftc.gov/free-credit-reports

51. B

Tuition reimbursement. Most businesses encourage their employees to continue their education to keep up with new technology and procedures. The businesses realize the value of having employees who are well-trained and up to date. One way that businesses promote continuing education is by offering tuition reimbursement programs that pay the cost of the courses that employees take. Usually, employees who take and pass courses that are related to their jobs are reimbursed for the amount of tuition. Workers' compensation is insurance purchased by employers to provide benefits to workers who are injured on the job. Discretionary income is the amount of income people have left to spend or dispose of after they have paid their taxes. An expense account is an arrangement between an employee and the employer in which the employee keeps track of business-related expenses and reports them to the employer for reimbursement.

SOURCE: PD:033 Explain the need for ongoing education as a worker

SOURCE: Joubert, S. (2024, July 15). *What is tuition reimbursement? Taking advantage of benefits.* Retrieved October 13, 2025, from https://graduate.northeastern.edu/knowledge-hub/tuition-reimbursement/

52. C

Saving enough money to retire in 10 years. Financial goals are objectives that individuals want to achieve. Individuals often set financial goals based on a time factor because they have a need that they want to satisfy. In this situation, retiring in 10 years is the need that can be satisfied by saving money every month. Making a will to distribute personal assets, reviewing various health insurance options, and obtaining a credit card for emergencies are not examples of financial goals.

SOURCE: FI:065 Set financial goals

SOURCE: Ponciano, J. (2025, April 2). *How to set financial goals for your future.* Retrieved October 13, 2025, from https://www.investopedia.com/articles/personal-finance/100516/setting-financial-goals/

53. A

Banks. Banks and other financial institutions function as a conduit between those who wish to save money (and earn interest) and those who need to borrow it (and are willing and able to pay interest). Property holders are the owners of property, such as buildings or land. While some nonprofit organizations deal with saving and borrowing, that is not the definition of nonprofit, which means the organization's revenue goes to support the organization's mission. Income-tax preparers calculate taxes for clients.

SOURCE: EC:121 Describe the role of institutions in helping individuals and groups accomplish their goals

SOURCE: Gobat, J. (2025). *Banks: At the heart of the matter.* Retrieved October 13, 2025, from https://www.imf.org/en/Publications/fandd/issues/Series/Back-to-Basics/Banks

54. B

Maintain their professional certifications. Many professions—accounting, finance, medical, and education—require certification to work in their fields. Because these fields are always changing, workers are required to update their knowledge and skills to maintain their certifications. Continuing education often involves taking classes and attending seminars and workshops. Professionals are not required to take continuing education classes to improve their standard of living, demonstrate their emotional intelligence, or supplement their existing income.

SOURCE: PD:033 Explain the need for ongoing education as a worker

SOURCE: Parsons, L. (2025, February 24). *Why is professional development important?* Retrieved October 13, 2025, from https://professional.dce.harvard.edu/blog/why-is-professional-development-important/

55. B

A passion to solve issues. An entrepreneur is someone who identifies an opportunity to create new value, develops and offers a unique product, assumes the risks of starting and building a business, focuses on the improvement and growth of that business, and receives personal and financial rewards for their efforts. To be successful, an entrepreneur needs to be able to identify and creatively solve problems through innovative products and services. Because of their profession, entrepreneurs must be comfortable with taking risks and understand that there is little guidance or stability.

SOURCE: EN:039 Describe the nature of entrepreneurship

SOURCE: Hayes, A. (2025, September 23). *Entrepreneur: What it means to be one and how to get started*. Retrieved October 13, 2025, from https://www.investopedia.com/terms/e/entrepreneur.asp

56. D

Liability. Liability insurance pays for costs related to another person's injuries or damage to another person's property. Gavin would likely need liability coverage to pay for repairs to or replacement of the mailbox. Uninsured motorist coverage pays your bills when a driver without insurance hits you. Comprehensive coverage is used to pay for costs associated with theft, fire, vandalism, and natural disasters. Medical payments coverage is used if you, your passengers, or family members are injured in an accident.

SOURCE: PD:319 Describe components of automobile insurance coverage

SOURCE: Allstate. (2024, August). *Six types of car insurance coverages.* Retrieved October 13, 2025, from https://www.allstate.com/resources/car-insurance/types-of-car-insurance-coverage

57. A

Yes, it is important to learn about many careers before selecting one. Even if Laney thinks she knows what she wants to do, she may find she has interests in careers she didn't even know existed. Career exploration will allow Laney to make an informed decision that may or may not result in becoming a singer. Learning about careers and pursuing her dreams are not necessarily mutually exclusive. Career exploration is simply research into careers, interests, and aptitudes. What she does with the research is up to her. Everyone needs to plan for their career. This doesn't mean things will go as planned, but putting together a plan will increase the odds of being successful.

SOURCE: PD:023 Identify tentative occupational interest

SOURCE: College Board. (2025). *Career exploration: Important steps in the process.* Retrieved October 13, 2025, from https://bigfuture.collegeboard.org/explore-careers/get-started/career-exploration-important-steps-in-process

58. C

Benefits. Employee compensation includes a combination of pay and benefits. The benefit package is important because it amounts to about one-third of total compensation. Discounts are considered a type of benefit, but they are not the sole benefit offered to employees. Taxes and promotions are not considered a form of employee compensation.

SOURCE: HR:390 Discuss employee compensation

SOURCE: Wooll, M. (2022, August 17). *Compensation and benefits: Why the right pay and perks matter.* Retrieved October 13, 2025, from https://www.betterup.com/blog/compensation-and-benefits

59. B

A budget. A budget is an estimation of income and expenses for a specific period of time. For example, if Joan were to make a budget, her estimated income is $20. A budget would then help her calculate how much money she has left after expenses to work toward her spending, saving, and sharing goals. A bank account would give Joan a place to put her money, but it doesn't necessarily help her plan out her spending, saving, and sharing goals. A debit card or checkbook would make it easier for Joan to spend, but they would not help her reach her saving and sharing goals.

SOURCE: FI:066 Develop personal budget

SOURCE: Ganti, A. (2025, July 8). *What is a budget? Plus 11 budgeting myths holding you back*. Retrieved October 13, 2025, from https://www.investopedia.com/terms/b/budget.asp

60. D

Lenders. Lenders make money from borrowers by charging interest. When interest rates increase, lenders earn more money. Borrowers (individuals and all types of businesses) benefit when interest rates decrease because it is cheaper for them to borrow money for homes, cars, business expansions, and other expensive goods and services.

SOURCE: EC:084 Explain the economic impact of interest-rate fluctuations

SOURCE: Carnegie Investment Counsel. (2022, October 25). *Understanding interest rates: Advantages and disadvantages of high interest rates.* Retrieved October 13, 2025, from https://blog.carnegieinvest.com/understanding-interest-rates-advantages-and-disadvantages-of-high-interest-rates

61. D

Capital gains. When investments such as stocks, bonds, and real estate are sold at a profit, the stockholder may be required to pay a capital gains tax. A capital gain is the difference between the purchase price and the sales price of an asset (e.g., stock). A sales tax is a tax on a retail item. An excise tax is a tax on nonessential products, such as gasoline. A gift tax is a tax on something of value (e.g., money) given to another person. Usually, the gift giver pays the tax.

SOURCE: BL:134 Discuss the effect of tax laws and regulations on financial transactions

SOURCE: Fernando, J. (2025, September 4). *Capital gains tax: What it is, how it works, and current rates*. Retrieved October 13, 2025, from https://www.investopedia.com/terms/c/capital_gains_tax.asp

62. A

The cost of rent. When making a financial decision, Taryn can show responsibility by focusing on financial criteria to help guide her choice. She should focus on the cost of rent rather than any other aspects of the apartments so that she chooses the more financially responsible option. While appliances, the size of the bedroom, and the location are important, they will not necessarily help Taryn make the most financially responsible choice.

SOURCE: FI:783 Make responsible financial decisions

SOURCE: Smith, L. (2025, April 11). *The basics of financial responsibility*. Retrieved October 13, 2025, from https://www.investopedia.com/articles/pf/09/financial-responsibility.asp

63. C

Lower your credit rating. Bankruptcy is a state of debt that cannot be resolved. When someone files or declares bankruptcy, they have reached a point where their debts are not able to be repaid. There can be many negative effects of declaring bankruptcy, including that it often lowers your credit rating and makes it more challenging to make big purchases or receive loans in the future. Forgiving debts, liquidating assets, and raising interest rates are not disadvantages of declaring bankruptcy.

SOURCE: FI:568 Control debt

SOURCE: Allred, C. (2025, September 18). *Bankruptcy: What it is, how it works, and types.* Retrieved October 13, 2025, from https://www.investopedia.com/terms/b/bankruptcy.asp

64. B

Guidance counselor. Most schools have guidance counselors on staff who help students obtain career information and give them advice about possible occupations. Guidance counselors maintain current information about various types of jobs and can help students locate information that is not available at school. Guidance counselors often keep in touch with local employers and provide students with information about current job openings in the community. Industry recruiters may visit schools occasionally to recruit for specific occupations. The school's admissions director and curriculum planner are not sources of career information.

SOURCE: PD:022 Identify sources of career information

SOURCE: University of Massachusetts Global. (2023, April 13). *What does a school counselor do? - A closer look at this student-centric role.* Retrieved October 13, 2025, from https://www.umassglobal.edu/blog-news/what-does-a-school-counselor-do

65. B

You only make minimum payments on bills. Only paying the minimum amount due each month means that, in the future, you are expected to pay both the balance due and an additional fee for interest. For someone paying the minimum each month, paying off this additional money is difficult, so it becomes an endless cycle of debt. Having an emergency fund, even a small one, is not necessarily an indicator of excessive debt. Many people in excessive debt typically don't know how much they owe; chances are, if they "hide" from their debt, they have a large amount they are afraid they cannot pay. Another sign of excessive debt is if your credit cards are generally declined, not accepted.

SOURCE: FI:568 Control debt

SOURCE: Rivera, H. (2025, April 30). *Do you have too much debt?* Retrieved October 13, 2025, from https://www.bankrate.com/personal-finance/debt/signs-you-have-too-much-debt/

66. C

Provide borrowers yearly access to their credit reports for free. Credit reporting agencies are generally required to provide borrowers a yearly credit report for free. Further requests for credit reports may be granted, but may cost additional money or may hurt the individual's credit score. Credit reporting agencies are not usually required to provide unlimited free access to credit reports. In many countries, credit reporting agencies are not required to remove criminal history from a borrower's credit report. In fact, criminal history is sometimes required to remain on a person's credit report. Credit reporting agencies are generally required to remove inaccurate credit information (provided that it can be verified as inaccurate) from a borrower's credit history within a reasonable amount of time.

SOURCE: FI:063 Explain legal responsibilities associated with consumer financial products and services

SOURCE: Fay, B. (2025, September 19). *Fair Credit Reporting Act.* Retrieved October 13, 2025, from https://www.debt.org/credit/your-consumer-rights/fair-credit-reporting-act/

67. D

Equal credit opportunity. All individuals are entitled to receive equal opportunity for credit under consumer credit protection laws. This means that creditors may not discriminate against an individual because of their race, color, religion, national origin, sex, marital status, age, or use of public assistance when they make decisions. Individuals are not entitled to a credit guarantee. Methods of notifying candidates of their rejection for credit lines vary, and there is not a single "proper" way that is considered appropriate. Mayville Community Credit Union discriminated against Bryant because of his religion, but it did not violate his right to practice his religion.

SOURCE: FI:002 Explain the purposes and importance of credit

SOURCE: Irby, L. (2021, February 17). *Consumer credit laws you should be familiar with*. Retrieved October 13, 2025, from https://www.thebalancemoney.com/consumer-credit-laws-you-should-be-familiar-with-4068374

68. D

Use the credit card to pay for routine expenses and pay the balance in full each month. By paying a credit card in full each month, the cardholder can establish a positive credit history and avoid the extra cost of interest. Charging a large amount to the card and making minimum payments would cause interest to accrue on the account and put the cardholder at risk of developing poor credit. Since student loans are not typically charged interest until graduation, it is not beneficial to transfer that debt to a credit card that would begin charging interest right away.

SOURCE: FI:071 Demonstrate the wise use of credit

SOURCE: Parks, A., & Kelton, K. (2025, June 27). *7 credit card tips for college students.* Retrieved October 13, 2025, from https://www.bankrate.com/credit-cards/building-credit/credit-card-tips-for-college-students/

69. A

A consumer budget. Many factors impact the purchasing decisions that consumers make. Consumer decisions are impacted by product pricing, customer budgets and preferences, as well as potential implications for the economy, environment, and society. Because Korie's purchasing decision was based on price (as the other store offered a lower price for the running jacket), she was influenced by her budget, or the amount of money she had earmarked for her purchase. There is no evidence here that this purchasing decision was influenced by peer pressure, brand loyalty, or the possible impact on the environment.

SOURCE: FI:783 Make responsible financial decisions

SOURCE: Millwood, A. (2021, July 22). *Understanding the consumer decision making process.* Retrieved October 13, 2025, from https://www.yotpo.com/resources/consumer-decision-making-process-ugc/

70. D

Sales. Sales taxes are an added tax to retail items levied by state and local governments. Property taxes are applied to real estate and various business expenses, such as vehicles or inventory. Excise taxes are when the added cost of taxes is priced into the product. Since Darius's new pair of shoes has a sticker price of $49.99, but the actual cost is slightly higher due to sales tax, the cost of the tax is not built into the sticker price. Payroll taxes are taxes that employers must withhold from their employees' paychecks.

SOURCE: EC:072 Describe the nature of taxes

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

71. A

Insurance agent. Insurance products are designed to protect individuals, families, and businesses against financial loss due to disasters, deaths, accidents, or other unexpected events. Insurance agents are financial professionals who help people choose the right insurance products for their unique needs. An individual or family wishing to purchase protection against financial loss would not likely consult a stockbroker, a financial advisor, or a real estate agent. Stockbrokers are financial professionals who help people buy and sell investments. Financial advisors help people develop comprehensive financial health plans. Real estate agents assist in the buying and selling of property.

SOURCE: FI:075 Describe types of financial-services providers

SOURCE: Indeed. (2025, June 6). *Learn about being an insurance agent.* Retrieved October 14, 2025, from https://www.indeed.com/career-advice/careers/what-does-an-insurance-agent-do

72. A

Younger people pay lower premiums. The younger you are when you purchase life insurance, the lower your rates will be because you are less likely to need an insurance payout. Therefore, it is a good idea to purchase life insurance as soon as possible to receive a low premium rate. The process of obtaining a life insurance policy should not take more than a few months at most, so this is not a reason to purchase life insurance as a young adult. Some life insurance policies have limited term periods, but this is not a reason to purchase life insurance at a young age. Young people may or may not have dependents, but usually they are less likely to have dependents than older people.

SOURCE: PD:323 Discuss the nature of life insurance

SOURCE: Ross, S. (2024, November 26). *Should I get life insurance in my 20s?* Retrieved October 14, 2025, from https://www.investopedia.com/articles/personal-finance/100615/getting-life-insurance-your-20s-pays.asp

73. A

Installment credit. Installment credit is a type of credit account set up to handle one total amount of credit, which is to be paid off in regular installments. The credit user makes a down payment and signs an agreement to pay monthly installments, including interest, until the total is paid. Revolving credit limits the total amount of money that may be owed and charges interest on outstanding balances. A credit card is an identification card that permits the credit account holder to charge purchases to the credit account. Open account credit allows credit users to buy at any time during a set period, usually 30 days.

SOURCE: FI:002 Explain the purposes and importance of credit

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

74. B

Risk-taking ability. The ability to take risks involves understanding and accepting the responsibility of not knowing the outcome of your actions. Because April is willing to accept that not all of the investments she makes will be profitable, she is demonstrating risk-taking ability. An impulsive personality is a basic type of customer personality characterized by the customer's asking few questions, buying to meet inner needs and wants, selecting items quickly, shopping leisurely, or wanting purchases to be noticed. April does not demonstrate an impulsive personality, problem-solving skills, or sensitivity in this scenario.

SOURCE: FI:349 Discuss the nature of investment risk

SOURCE: Maverick, J.B. (2024, June 3). *Understanding your clients' willingness and ability to take risk.* Retrieved October 14, 2025, from https://www.investopedia.com/articles/etfs/090216/what-your-clients-willingness-and-ability-take-risk.asp

75. B

529 plan. If Roman and Sam want to set aside money that will allow their daughter to pay for college in the future, they should look into a 529 plan. A 529 plan is tax-advantaged savings plan designed to help you save and grow money for educational purposes, such as saving for college. A traditional IRA is an Individual Retirement Account where you contribute pre-tax dollars. A Roth IRA is an Individual Retirement Account where you contribute after-tax dollars. Although unsubsidized student loans are often used to pay for college, it is not considered a savings plan. Unsubsidized loans are not based on financial need and are charged interest from the time of disbursement.

SOURCE: PD:307 Explain the nature of education savings plans

SOURCE: Ramsey Solutions. (2025, March 27). *ESA vs. 529: Which is better for you?* Retrieved October 14, 2025, from https://www.ramseysolutions.com/retirement/esa-529-comparison

76. B

The cost of an open-heart surgery. Primary care and life-saving medical costs are typically covered by health insurance providers. Many health insurance providers do not provide payment for dental expenses. Health insurance does not cover attorney fees if a client is pursuing a medical malpractice case. Health insurance providers do not provide payment for funeral expenses.

SOURCE: PD:320 Discuss the nature of health insurance coverage

SOURCE: Cigna Healthcare. (2025). *How health insurance works.* Retrieved October 14, 2025, from https://www.cigna.com/knowledge-center/how-health-insurance-works

77. C

Determine whether the information is unbiased, accurate, and current. Before doing anything with financial information, you should make sure that it is objective (unbiased), accurate, and current. You don't want to make any important decisions with faulty or inaccurate information. You shouldn't blindly trust that the information is reliable, since not everyone has your best interests in mind. However, it is not true that financial-services providers can never be trusted. You should review the information that you are provided carefully before taking any recommended steps.

SOURCE: NF:079 Evaluate quality and source of information

SOURCE: Purdue Online Writing Lab. (2025). *Evaluating sources: General guidelines*. Retrieved October 14, 2025, from https://owl.purdue.edu/owl/research_and_citation/conducting_research/evaluating_sources_of_information/general_guidelines.html

78. A

$1,014.11. Gross earnings are an employee's wages before taxes and other deductions, such as medical insurance and union dues, are withheld from their paycheck. Net pay is the amount of money the employee receives in their paycheck after deductions are subtracted. Employers provide an itemized list of earnings and deductions on the employee's pay stub. To calculate Jason's gross earnings for the pay period, add his net pay, total tax obligation, medical insurance, and union dues together ($796.84 + $157.27 + $45.00 + $15.00 = $1,014.11).

SOURCE: FI:068 Interpret a pay stub

SOURCE: Murray, J. (2020, July 7). *What is gross pay?* Retrieved October 14, 2025, from https://www.thebalancemoney.com/what-is-gross-pay-and-how-is-it-calculated-398696

79. A

Credit unions, savings and loan associations, and commercial banks. Deposit-taking financial institutions accept funds from customers (depositors) and pay interest on the funds. Credit unions, commercial banks, savings and loan associations (banks), and mutual savings banks are types of deposit-taking financial institutions. A corporation is a form of business ownership that is owned by stockholders who have purchased units or shares of the company. Brokerages are financial intermediaries that sell securities. Insurance firms sell insurance and securities. Corporations, brokerages, and insurance firms are not types of deposit-taking financial institutions.

SOURCE: FI:336 Describe the role of financial institutions

SOURCE: Horton, M. (2025, October 14). *Understanding 8 major financial institutions and their roles.* Retrieved October 14, 2025, from https://www.investopedia.com/ask/answers/061615/what-are-major-categories-financial-institutions-and-what-are-their-primary-roles.asp

80. B

Insurance. Insurance is a contractual agreement in which one company (the insurer) will pay for specified losses incurred by the other individual or company (the insured) in return for installment payments (premiums). In this example, Bennett is paying for some type of insurance—not tax deductions, government assistance, or retirement.

SOURCE: FI:081 Describe the concept of insurance

SOURCE: MetLife. (2023, August 14). *What is insurance?* Retrieved October 14, 2025, from https://www.metlife.com/stories/benefits/what-is-insurance/

81. A

Leadership skills. Leadership is the ability to guide or direct the actions of others in a desired manner. Employees who want to progress through the ranks of management should develop their leadership skills because they will be expected to supervise and lead their subordinates. Employees who demonstrate good leadership skills often are given more responsibility and authority over others. Employees who want to enhance their careers often develop their professional contacts rather than their social contacts. Job expectations are what employees hope to accomplish or achieve in their careers. Employees do not need to develop their artistic abilities to progress through the management ranks.

SOURCE: PD:035 Identify skills needed to enhance career progression

SOURCE: Indeed. (2025, April 14). *10 essential leadership skills to develop.* Retrieved October 14, 2025, from https://www.indeed.com/career-advice/resumes-cover-letters/leadership-skills

82. A

Transparency. One of the first steps of charitable giving is to conduct research on the intended organization. Part of this research should involve visiting the organization's website to make sure you're making the impact you intend to. Reputable organizations should be transparent—the quality of being trustworthy and just as one seems—by providing information about their mission, values, financials, programs, impact, and more. Respect involves honoring the rights, freedoms, views, and property of others. Fairness is the ability to make judgments and act without favoritism or self-interest. Pride is a feeling of satisfaction from one's own accomplishments.

SOURCE: FI:567 Explain the nature of charitable giving

SOURCE: Saint Paul & Minnesota Foundation. (2025). *Five tips for researching nonprofit organizations to support.* Retrieved October 14, 2025, from https://spmcf.org/blog/nonprofit-giving-research-tips

83. B

Useful. Not all information is useful. Therefore, businesses as well as individuals evaluate the quality and source of the information they obtain to make sure it is useful. For it to be useful, information must be accurate and relevant to the situation or problem being addressed. Businesses and individuals typically do not evaluate the quality and source of the information they obtain to make sure it is scientific, technical, or random.

SOURCE: NF:079 Evaluate quality and source of information

SOURCE: Stevenson University. (2025). *How to identify reliable information.* Retrieved October 14, 2025, from https://www.stevenson.edu/online/about-us/news/how-to-identify-reliable-information/

84. D

Loan. A loan is a sum of money lent to a person or business for a specific time period that is repayable with interest. Credit is the arrangement by which a person purchases now and pays later. A lending institution issues credit cards, which allow people to purchase now and pay later. The lender provides credit card users with a limit within which they can charge purchases. The lender pays for the purchases and then sends the credit card user a bill/statement each month that indicates the monthly minimum payment and interest charges due to the lender. It is important for people to pay credit card balances responsibly so they do not accumulate so much debt that they cannot afford to pay the lender. Using credit for purchases helps a person build a personal credit history, which lenders consider when a person applies for a large loan to purchase a car or a house. An asset is something of value that a person owns. Credit is not an asset or a tax. Because credit is so widely used, it is not necessarily a privilege.

SOURCE: FI:071 Demonstrate the wise use of credit

SOURCE: Federal Trade Commission. (2024, August). *Getting a credit card.* Retrieved October 14, 2025, from https://consumer.gov/credit/getting-credit-card

85. C

Be actively seeking work. The conditions for unemployment benefits vary by country, state, or region, but a general rule for receiving unemployment benefits is that the potential recipient must be actively seeking new employment during the period of receiving benefits. There are no requirements based on one's personal wealth—virtually any person of any economic status can be eligible for unemployment benefits. A person's education or insurance history has no bearing on their eligibility for unemployment benefits.

SOURCE: PD:329 Discuss the nature of unemployment insurance

SOURCE: Kagan, J. (2021, October 25). *Unemployment compensation: Definition, requirements, and example.* Retrieved October 14, 2025, from https://www.investopedia.com/terms/u/unemployment-compensation.asp

86. D

Debit card. A debit card is a card issued by banks that enables the cardholder to make purchases with money directly from a checking account. A credit card is a card issued by banks that enables the cardholder to make purchases using credit. Cash is currency and coins. Collateral is anything of value belonging to the borrower that is pledged to the lender to guarantee that the loan will be repaid. Credit cards, cash, and collateral are not typically connected to checking accounts.

SOURCE: FI:058 Explain forms of financial exchange (cash, credit, debit, electronic funds transfer, etc.)

SOURCE: Huntington. (2025). *What's the difference between credit & debit cards*? Retrieved October 14, 2025, from https://www.huntington.com/learn/checking-basics/difference-between-credit-debit

87. B

Encourages better dental health. Because dental insurance reduces the cost of oral care for individuals, it makes them much more likely to go for regular checkups and receive the appropriate treatments for any dental problems they may experience. This makes people healthier overall. Dental insurance does not reduce the need for regular dentist visits. Dental insurance does reduce stress in emergency situations, but this is not related to Jade's example. Dental insurance does not always cover all procedures, but this is not related to Jade's example.

SOURCE: PD:320 Discuss the nature of health insurance coverage

SOURCE: Delta Dental. (2020, September 30). *New poll finds majority of Americans have experienced better oral health habits, healthier lifestyles, and financial benefits as a result of having dental insurance.* Retrieved October 14, 2025, from https://www.deltadental.com/us/en/about-us/press-center/2020-press-releases/new-poll-finds-better-oral-health-from-having-dental-insurance.html

88. C

Common stock. Common stock gives voting rights, typically at one vote per share. Stockholders have a say in electing board members to oversee managerial decisions at the company. Preferred stock also represents ownership in a company but does not confer voting rights. Dividends are sums of money paid to an investor or stockholder as earnings on an investment. Khadija cannot invest in dividends. Cryptocurrency is a digital currency used as an alternative payment method. Khadija did not invest in dividends, preferred stock, or cryptocurrency in this example.

SOURCE: PD:309 Explain the nature of stocks

SOURCE: Hayes, A. (2025, May 28). *Preferred vs. common stock: What's the difference?* Retrieved October 14, 2025, from https://www.investopedia.com/ask/answers/difference-between-preferred-stock-and-common-stock/

89. A

12.8%. The lender is required to inform a borrower of the finance charge that is to be paid on their installment loans, as well as the annual percentage rate (APR) for the loan. To calculate the approximate APR for Annie's loan, first find the total installment cost for the loan by multiplying the monthly payment by the number of payments and then adding this answer to the down payment for the loan ($283.27 X 24 = $6,798.48 + $0 = $6,798.48). Then, find the finance charge—the total interest that Annie will be required to pay on the loan—by subtracting the amount of the loan from the total installment cost ($6,798.48 - $6,000 = $798.48). To find the approximate APR, multiply the finance charge by 24, which is a constant in the formula for approximate APR ($798.48 X 24 = $19,163.52). Next, add one (also a constant in the formula) to the number of payments (1 + 24 = 25). Multiply this sum by the amount financed (25 X $6,000 = $150,000). Finally, divide this answer into $19,163.52 ($19,163.52 / $150,000 = 0.128 = 12.8%).

SOURCE: FI:063 Explain legal responsibilities associated with consumer financial products and services

SOURCE: Fernando, J. (2025, August 13). *Annual percentage rate (APR): Definition, calculation, and comparison*. Retrieved October 14, 2025, from https://www.investopedia.com/terms/a/apr.asp

90. C

Most people have the ability to become entrepreneurs. Most people who are aware of their personal strengths and weaknesses can take steps to enhance or develop their skills or personality traits to become entrepreneurs. Because individuals are unique, their personality traits and skill levels differ. Therefore, it cannot be assumed that most entrepreneurs are born with all the skills that are needed for startup business success. Entrepreneurship does not limit personal and financial growth; it provides an opportunity for entrepreneurial growth. Traits are personal characteristics, expressed by a regular pattern of behavior, that become a part of you over time. Personal behavior can be altered and, therefore, strengthened.

SOURCE: PD:066 Explain career opportunities in entrepreneurship

SOURCE: LAP-PD-066—Own Your Own (Career Opportunities in Entrepreneurship)

91. D

Getting started early. Getting started early is the key to successful investing. The sooner you begin to take advantage of the compounding growth of the stock market, the better. Compounding is your best friend because, right now, time is on your side. A teenager has more years ahead of them to invest than their grandparents, parents, and even their older siblings. Inflation is an increase in the cost of goods and services. Opportunity costs are the trade-offs that occur when you choose one alternative over another; they are impossible to avoid. The rule of 72 is a trick for determining how long it will take to double your money at a certain interest or return rate.

SOURCE: FI:270 Explain the need to save and invest

SOURCE: Fernando, J. (2025, September 10). *The power of compound interest: Calculations and examples.* Retrieved October 14, 2025, from https://www.investopedia.com/terms/c/compoundinterest.asp

92. C

Work experience. There are several ways to obtain work experience without having a paying job. One way is to participate in school-operated programs, such as the school store or library. Students who help in the school store learn how to operate cash registers, complete sales transactions, and serve customers. Students who work in the library also learn about customer service. This experience is similar to work experience and can be listed on an individual's resume. Helping out in the school store or library is a way of obtaining a type of training rather than additional education or college information. Students might receive approval for the work they do, but that is not the purpose of participating.

SOURCE: PD:032 Describe techniques for obtaining work experience (e.g., volunteer activities, internships)

SOURCE: Education World. (1996-2025). *School stores teach lifelong skills.* Retrieved October 14, 2025, from https://www.educationworld.com/a_admin/admin/admin353.shtml

93. B

Flextime. Workers are most productive when they can work at a time that best fits their home life or other responsibilities. Therefore, some businesses offer flexible working hours, or flextime, that allow employees to work at a time that is convenient for them. Job sharing is a system that allows two workers to share one job and divide the working hours between them. Time off involves an employee's using vacation, personal, or sick leave to be away from the job. Part-time status involves working fewer than the number of hours per week usually considered necessary for full-time employment.

SOURCE: EC:013 Explain the concept of productivity

SOURCE: LAP-EC-913—Make the Most of It (Productivity)

94. C

Schedule a weekly time to pay her bills. Different bills have different due dates, and it can be confusing to remember what is due when. By scheduling a weekly time to pay her bills, Noor will have a placeholder on her calendar to remind her that she needs to pay. Asking a family member to remind her relies on someone else's memory, which could fail. Keeping bills in a drawer will keep them out of sight and therefore easily forgotten. Paying bills well before their due dates is a good practice but will not help Noor remember to pay her bills.

SOURCE: FI:565 Pay bills

SOURCE: Better Money Habits. (2025). *How to manage your bills: A step-by-step guide.* Retrieved October 14, 2025, from https://bettermoneyhabits.bankofamerica.com/en/saving-budgeting/how-to-manage-bills

95. C

“It's a good idea to complete some volunteer work before you search for a job.” Completing volunteer work in a similar field to the type of job a person would like is a great way to get their feet wet in the working world. Volunteering can boost an individual's resume by demonstrating their commitment to learning more about their field. It would be unhelpful to tell a young student to simply wait until they are older to apply for jobs, or to tell them that finding meaningful work at their age is rare. It would not be particularly helpful to instruct a student to ask their parents for help. Employers are unlikely to hire a young person who still depends on their parents to do things for them.

SOURCE: PD:032 Describe techniques for obtaining work experience (e.g., volunteer activities, internships)

SOURCE: Monster. (2025). *How volunteering can help you get a job.* Retrieved October 14, 2025, from https://www.monster.com/career-advice/article/five-ways-volunteering-can-help-you-get-a-job-hot-jobs

96. A

Graduated repayment. A graduated repayment plan is typically a shorter-term plan where monthly payments begin smaller but gradually increase on an annual or biannual basis. A standard repayment plan involves a fixed fee over a set period of time until the loan is paid off. Jerian’s plan includes a payment that increases yearly; therefore, it is not a fixed fee. An income-driven plan is a plan that is based on a post-graduate’s income. This typically involves paying a certain percentage of one’s income. There is no indication Jerian is paying a specific percentage of his income. A consolidation plan is a repayment plan that combines multiple federal loans into one, averaging the interest rates from the different loans.

SOURCE: FI:831 Discuss options for financing a college education

SOURCE: Zinn, D. (2025, August 2). *What is the graduated repayment plan for student loans?* Retrieved October 14, 2025, from https://www.bankrate.com/loans/student-loans/graduated-repayment-plan/

97. D

Determine what type of financial advisor she needs. Before she starts researching individual financial advisors, Lyla needs to determine what type of financial advisor she needs. There are many types of financial advisors that have different focuses—financial planning services, investments, retirement income planning, wealth accumulation, etc. To find the best financial advisor, Lyla needs to know what type of financial advice she needs and what services a potential advisor provides. Once she determines the type of financial advisor she needs, she can focus on finding an advisor with reputable credentials, understand how they are compensated, ask questions, check for complaints, learn how to spot fraud risks, and verify credentials, among other things.

SOURCE: FI:076 Discuss considerations in selecting a financial-services provider

SOURCE: Anspach, D. (2022, May 28). *7 steps for finding the best financial advisor.* Retrieved October 14, 2025, from https://www.thebalancemoney.com/how-to-find-the-best-financial-advisor-in-7-easy-steps-4032070

98. C

Access to credit is an important financial tool. It is important that all consumers have equal access to credit to finance purchases. A high earning individual may be denied credit because of poor credit use. Consumer credit laws are not intended to increase loans or consumer spending to stimulate the economy.

SOURCE: FI:002 Explain the purposes and importance of credit

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

99. B

Unlimited. Wants are considered unlimited because when one want is satisfied, there is at least one other waiting to take its place. Competing wants exist when people want more than one thing at a time and often must choose what they want more. Wants vary because, just as people are different, so are the things they want. Noneconomic wants are wants that can be satisfied without spending money.

SOURCE: EC:002 Distinguish between economic goods and services

SOURCE: LAP-EC-902—Get the Goods on Goods and Services (Economic Goods and Services)

100. D

Losses. The more risk you assume in an investment, the greater your potential gains *and* your potential losses. Taxes will increase along with your income. While risk and time horizon are related, your risk tolerance depends on your time horizon, rather than your time horizon depending on your risk tolerance. Your need for liquidity also does not depend on your risk tolerance.

SOURCE: FI:279 Explain factors to consider when selecting investments

SOURCE: FINRA. (2025). *Investing basics: Risk.* Retrieved October 14, 2025, from https://www.finra.org/investors/investing/investing-basics/risk