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

Test Number 1346
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. Shallan has more debt than she can realistically pay off and decides to file for bankruptcy. However, she does not qualify for liquidation bankruptcy. How can Shallan be relieved of her debt?
   A. By sending it to a credit card company that will forgive it
   B. By sending it to a court that will forgive it
   C. By selling her assets to repay as much debt as possible
   D. By reorganizing her debt to be paid at a new rate

2. Bridgett plans to purchase a car within the next 24 months, while Beverly is beginning a long-term strategy for retirement. Based on their respective investment horizons, Bridgett's portfolio should emphasize __________, whereas Beverly's should prioritize __________.
   A. growth stocks; real estate
   B. real estate; certificates of deposit (CDs)
   C. government bonds; money market accounts
   D. money market accounts; growth stocks

3. Garth has several different credit cards, each with different perks, interest rates, and annual fees. However, he has trouble keeping track of all of them and realizes the combined balances of the cards exceed his monthly budget. What should Garth do to avoid this in the future?
   A. Reduce the number of cards
   B. Open more credit cards
   C. File for bankruptcy
   D. Get rid of all sources of credit

4. Instead of receiving a pay raise, Ariadna moves to a similar role in a different department to gain new skills. This is an example of __________ career advancement.
   A. stagnant
   B. traditional
   C. vertical
   D. horizontal

5. The main reason loans like mortgages require down payments is to
   A. reduce risk to the lender.
   B. make it harder to pay for the loan.
   C. make it easier to pay for the loan.
   D. reduce risk to the borrower.

6. Maya wants an account that earns more interest than her basic savings account but still allows her to write a limited amount of checks each month. Which product would best fit her needs?
   A. Certificate of deposit (CD)
   B. Checking account
   C. Roth IRA account
   D. Money market account

7. Vamika is a shareholder in Bonnerly Corporation. If a major investigative report reveals that the company's leading product poses a serious safety risk, the market price of Vamika's holdings will likely
   A. decrease.
   B. remain unchanged.
   C. fluctuate rapidly.
   D. increase.

8. Which type of insurance coverage pays for damages to your car if you are at fault in an accident with another vehicle?
   A. Liability insurance
   B. Comprehensive insurance
   C. Collision insurance
   D. Uninsured motorist protection

9. A large regional bank is caught charging hidden fees and operating with insufficient liquidity. Which pair of regulatory agencies is responsible for investigating these issues?
   A. The Federal Bureau of Investigation and the Social Security Administration
   B. The Consumer Financial Protection Bureau and the Federal Reserve
   C. The Securities and Exchange Commission and the Internal Revenue Service
   D. The Treasury Department and the World Bank

10. Sarah receives a financial aid package from her top-choice college. The package includes a Pell Grant, a merit-based scholarship from the biology department, and a direct subsidized loan. Which of the following correctly describes the long-term financial obligations Sarah has:
   A. She is required to work a part-time campus job to earn the scholarship money before she can officially take it.
   B. The Pell Grant and scholarship do not need to be repaid, while the direct subsidized loan must be paid with interest.
   C. Federal law requires Sarah to pay back all three sources of aid only if she fails to maintain a 4.0 GPA throughout college.
   D. She must repay the Pell Grant, the scholarship, and the direct subsidized loan with interest after she graduates.

11. If Marly takes out money from a 529 savings plan to pay for his daughter's college education, the money from the 529 plan will be
   A. matched by the government.
   B. paid back over 15 years.
   C. taxed at a reduced rate.
   D. tax-free.

12. Maleek is worried he won't have enough money to pay his rent on time. He is considering a payday loan to cover his rent, but his parents advise against it. Although a payday loan is a quick way to cover expenses, it has the disadvantage of
   A. high federal and state regulation.
   B. hurting the borrower's credit score.
   C. extremely high interest rates.
   D. carrying a bad reputation.

13. What is the primary eligibility requirement for an individual to enroll in Medicare?
    A. Having a dependent child under the age of 18
    B. Being currently employed by a company with more than 50 employees
    C. Being a U.S. citizen or permanent resident at least 65 years old
    D. Having a household income below the federal poverty level

14. Garen makes a $1,200 purchase on his credit card with a 21% annual percentage rate (APR), compounded monthly. If Garen does not pay his statement for a month, what will his new balance be?
    A. $1,200
    B. $1,452
    C. $1,221
    D. $1,300

15. Josephine begins a strategy of frequent active trading in volatile “hot” stocks. Despite potential market gains, her overall portfolio performance is most likely to be diminished by
    A. market stability.
    B. compound interest.
    C. interest rates.
    D. transaction costs.

16. Reginald’s application for a new credit card is rejected, citing his poor credit report. This is because Reginald’s poor credit report may indicate that he
    A. is irresponsible.
    B. is less likely to pay his debts.
    C. does not understand his finances.
    D. has a criminal history.

17. In personal finance, what is an example of earned income?
    A. Interest earned on a savings account
    B. Monthly payments from rental property
    C. Dividends paid from stock investments
    D. Wages received from a part-time job

18. Nagisa is comparing the performance of several investment opportunities. While she has access to both the nominal and real returns for each asset, Nagisa bases her decision on the real return because it
    A. adjusts the percentage of growth based on risk and volatility.
    B. accounts for the change in purchasing power caused by inflation.
    C. represents the exact numerical dollar amount received at maturity.
    D. calculates the total return minus capital gains and income taxes.

19. Lee is unable to pay his car loan. Because of this, he may
    A. get a year-long grace period.
    B. get a tax deduction for the amount owed.
    C. lose responsibility for the loan.
    D. lose ownership of the car.

20. Autumn maintains multiple checking and savings accounts across several banks. She is often overwhelmed trying to keep track of them all. What could she do to make this task easier?
    A. Open a brokerage account
    B. Update her passwords
    C. Use word processing software
    D. Use a spreadsheet

21. How does total compensation differ from gross pay?
    A. Gross pay is the amount after taxes, while total compensation is the amount before taxes.
    B. Total compensation is the amount of the paycheck, while gross pay is the annual salary.
    C. Total compensation includes employee benefits, while gross pay only includes wages.
    D. Gross pay includes employer-paid taxes, while total compensation does not.

22. Sarai is comparing two mortgage loans. Loan A will be paid over 30 years at a rate of 7%. Loan B will be paid over 15 years at a rate of 6%. Both loans are for the same amount. Which loan will carry a lower monthly payment and why?
    A. Loan A, because it has a higher interest rate.
    B. Loan B, because it is paid over a shorter period.
    C. Loan B, because it has a lower interest rate.
    D. Loan A, because it is paid over a longer period.

23. Leia wants to take out a loan to consolidate debt from her student loans and credit card. Her priority is having a low interest rate since she is confident she won't default on the loan. Leia should take out a
    A. student loan.
    B. home equity loan.
    C. credit card.
    D. personal loan.

24. Bennie has kept a cash emergency fund under his bed for the past five years. Which of the following statements about his emergency fund is true:
    A. Due to inflation, it is worth about the same as five years ago.
    B. Due to interest, it is worth about the same as five years ago.
    C. Due to inflation, it is worth less than it was five years ago.
    D. Due to interest, it is worth more than it was five years ago.

25. Luca is comparing the terms of two mortgage loans. The loans are for equal amounts and interest rates. Loan A requires a 15% down payment while Loan B requires a 20% down payment. Which of the following is true about the monthly payments for the loans:
    A. Loan A will have a larger monthly payment than Loan B.
    B. Loan A will have a shorter term than Loan B.
    C. Loan B will have a shorter term than Loan A.
    D. Loan B will have a larger monthly payment than Loan A.

26. Mei is deciding on a new credit card. The Super card has a low annual percentage rate (APR) and a $120 annual fee. The Luxe card has a higher APR but no annual fee. Mei always pays off her statement in full. Based on this information, which card should she pick and why?
    A. The Luxe card, because it has no annual fee.
    B. The Luxe card, because it has a higher APR.
    C. The Super card, because it has a lower APR.
    D. The Super card, because it has an annual fee.

27. If the Federal Reserve successfully maintains its 2% annual inflation target, the average price level of goods and services will
    A. increase gradually.
    B. decrease rapidly.
    C. decrease gradually.
    D. increase rapidly.

28. Lentil is shopping for a new computer. While examining different options, which of the following are likely to be the primary drivers of her final decision:
    A. Smell, texture, and material
    B. Price, quality, and features
    C. Aesthetic, size, and weight
    D. Color, brand name, and logo

29. Lark repeatedly misses payments on a personal loan, eventually resulting in the debt being sent to a collection agency. Which of the following are consequences Lark may face:
    A. Significant blows to his credit score and report
    B. Jail time and a permanent mark on his criminal record
    C. Loss of his driver's license
    D. Banned from renting housing

30. Sarang is preparing to take out a mortgage loan. Which of the following could she use as collateral:
    A. A security deposit
    B. The vehicle she owns
    C. A property she already owns
    D. The property she is buying

31. Luna has a short credit history of four years. She carries two credit cards and is paying off student loans. On her credit cards, she tends to have a credit utilization ratio of around 20%. She always makes payments on time. What aspect of Luna's credit history will have the greatest impact on her credit score?
    A. Her multiple forms of debt
    B. Her short credit history
    C. Making payments on time
    D. Her credit utilization ratio

32. When comparing investment management services, a primary advantage of utilizing a robo-advisor over a traditional human advisor is
    A. the ability to develop a complex investment strategy.
    B. lower management fees and account minimums.
    C. personalized guidance during market swings.
    D. a lack of flexibility when selecting a portfolio.

33. Which of the following individuals would be eligible for unemployment insurance benefits:
    A. Nevaeh, who decided to go back to school full-time.
    B. Oksana, who quit her job because she didn’t like her manager.
    C. Harper, who was fired for violating company policy.
    D. Liam, who was laid off due to a company downsizing.

34. Leo’s bank calculates interest using his credit card’s average daily balance. If his monthly interest rate is 1.5%, which term correctly describes this number?
    A. Principal balance
    B. Annual percentage rate (APR)
    C. Minimum payment percentage
    D. Periodic interest rate

35. Clint has some disposable income. How can he use it to improve his community?
    A. Buy groceries from large retail chains
    B. Buy streaming subscriptions online
    C. Pay extra taxes to his local government
    D. Donate to local nonprofit organizations

36. Insurance operates on the principle of spreading risk across a risk pool to make coverage affordable for individuals. The __________ the risk pool, the more stabilized the premiums become.
    A. larger
    B. smaller
    C. more diverse
    D. more expensive

37. Bael wants to categorize his financial goals before he makes his personal budget. Which of the following is a long-term goal:
    A. Paying off a credit card
    B. Owning a house
    C. Building an emergency fund
    D. Paying medical bills

38. To calculate the future value of Esteban’s savings bond, which specific pieces of information does he need?
    A. The initial deposit, the interest rate, and the time period
    B. The initial deposit, the inflation rate, and the bank’s address
    C. The interest rate, the tax bracket, and the bank’s founding date
    D. The annual fees, the exchange rate, and Esteban’s age

39. What are the two main types of benefits provided to an employee under a workers' compensation claim?
    A. Unemployment benefits and housing assistance
    B. Retirement savings contributions and vacation pay
    C. Payment for medical treatment and partial replacement of lost wages
    D. Life insurance coverage and dental and vision insurance premiums

40. What is a major indicator that you may be a victim of identity theft?
    A. You receive a promotional email from a company where you have previously made purchases.
    B. A retail store asks you for your zip code to process a legitimate transaction.
    C. Your credit card company sends you a notification about a transaction you did not make.
    D. You receive a bank statement showing a lower balance than expected due to paying bills.

41. Which of the following documents is the standard form used by individual taxpayers to file their annual federal income tax return:
    A. Form 1099-INT
    B. Form W-2
    C. Form 1040
    D. Form W-4

42. Marcus just started his first job. His company offers to match 3% of his salary in a retirement account. Marcus wants to pay taxes on the money now while his income is lower, so that he can withdraw the money tax-free when he retires. Which plan best fits his needs?
    A. Pension plan
    B. Certificate of deposit
    C. Traditional IRA
    D. Roth 401(k)

43. Northwest National Bank faces a liquidity crisis when panicked depositors attempt to withdraw more cash than the bank holds in reserve. Which federal entity is responsible for insuring these individual deposits?
    A. CFPB
    B. SEC
    C. FDIC
    D. SBA

44. Lilja earned a 9% return on her investments this year. She notes that Nasdaq returned 14%, while Dow Jones returned 4%. To determine if her specific investment strategy was successful, Lilja should
    A. select the index with the lowest return to make her performance appear more successful.
    B. ignore the benchmarks entirely because her portfolio returned a positive gain.
    C. research the composition of both indices to see which aligns better with her investment profile.
    D. average the performance of both indices to create a generic baseline for assessment.

45. Johan is researching ways to finance his college education. He wants to minimize his debt after college and already has a full-time job. Which of the following should Johan consider to further finance his education:
    A. Scholarships or grants
    B. Additional jobs
    C. A 529 plan
    D. Student loans

46. Lirin finds a room at Bisque Hotel for $180/night. Before booking, he checks a third-party travel site and finds the same room for $150/night. This process of searching for different price points for the same service is
    A. brand loyalty.
    B. green marketing.
    C. impulse spending.
    D. comparison shopping.

47. What is a 20% down payment for a $280,000 condominium?
    A. $28,000
    B. $76,000
    C. $80,000
    D. $56,000

48. The main difference between a salary and hourly wages is that
    A. salaries are a fixed amount, while wages depend on hours worked.
    B. salaries include health insurance benefits, while hourly wages do not.
    C. hourly wages are subject to income tax withholding, while salaries are not.
    D. salaries are paid weekly, while hourly wages are paid monthly.

49. While automated trading platforms increase market accessibility, their effectiveness is contingent upon
    A. personal intuition and judgment.
    B. algorithms and historical data.
    C. physical certificates of stock ownership.
    D. manual oversight of transactions.

50. Lisa can decrease her total tax liability by
    A. filing a tax return after the deadline.
    B. contributing money to a 401(k).
    C. receiving a year-end bonus.
    D. increasing the allowances on a W-4 form.

51. A car dealership advertises a new truck at $49,999. What does this price represent?
    A. The minimum price a buyer will pay for the truck
    B. Half of the total price of the truck
    C. The final price of the truck
    D. An estimate of how much a buyer will actually pay

52. When comparing the operational costs of investment vehicles, actively managed mutual funds typically maintain higher expense ratios than index funds because active management requires
    A. automated algorithms.
    B. professional research.
    C. standardized portfolios.
    D. passive tracking.

53. The economy is entering a recession. Which of the following is Naomi's business most likely to experience:
    A. Rising interest rates
    B. Increased consumer demand
    C. Reduced sales revenue
    D. Decreased inventory levels

54. Anka is looking for a low-risk investment that provides regular annual interest payments. She wants to be able to liquidate her investment without facing an early withdrawal penalty. Which of the following options is best suited for Anka:
    A. Mutual funds
    B. Government bonds
    C. Certificate of deposits (CDs)
    D. Real estate

55. Mannie has decided to donate to charity, but he is skeptical of scams. What should he do to ensure he is donating to a legitimate charity?
    A. Make sure the charity allows him to donate by phone
    B. Make sure the charity is registered with the state
    C. Only donate if the charity requires cash donations
    D. Only donate if the charity has its own website

56. Chantel is ready to purchase a house. When interest rates fall, she is dismayed to find that home prices increase as a result. This increase occurs because borrowing money becomes __________ expensive and demand __________.
    A. more; decreases
    B. less; decreases
    C. less; increases
    D. more; increases

57. Taxation in the United States can best be described as __________ used to provide public goods and services.
    A. interest charges by the government
    B. mandatory payments to the government
    C. voluntary fees paid by individuals
    D. optional contributions made by citizens

58. Under Regulation E, what is a bank's responsibility when a customer reports an unauthorized debit charge within two business days?
    A. Withhold all funds and wait 30 days before opening an investigation
    B. Investigate the error and limit the customer's liability to $50
    C. Ignore the report if the transaction was for less than $100
    D. Close the customer's account and report them to a credit bureau

59. Jada receives a $2,000 graduation gift. She is deciding between spending the money immediately on a vacation or placing it in a high-yield savings account. If Jada chooses the vacation, what is the most significant financial consequence she should consider regarding her future?
    A. The increase in her net worth due to the memories made on the trip
    B. The inflation rate, which will make the vacation significantly cheaper if she waits to take it
    C. The bank's ability to lower her credit score because she didn't deposit the money
    D. The opportunity cost, which is the lost potential for that money to earn interest

60. Managers at Siddhartha Manufacturing expect high inflation to affect their operations and want to plan accordingly. Which of the following effects of inflation should they plan to address:
    A. Increased supply and decreased demand
    B. Increased material and labor costs
    C. Decreased supply and increased demand
    D. Decreased material and labor costs

61. In the United States, Medicaid is funded by __________ and administered at the __________ level.
    A. federal and state tax revenue; state
    B. private charitable donations; nonprofit
    C. state income taxes only; county
    D. federal payroll taxes only; federal

62. Rukhsana has a high-paying job and minimal financial obligations. She prioritizes aggressive capital appreciation and is comfortable with market volatility. Which of the following investment portfolios most closely aligns with Rukhsana's financial profile:
    A. Treasury bonds and vintage collectibles
    B. Real estate and certificates of deposit (CDs)
    C. Money market accounts and value stocks
    D. Growth stocks and equity-based mutual funds

63. Under which of the following circumstances would an individual likely have the greatest need for disability insurance:
    A. A wealthy investor whose expenses are covered by stock dividends
    B. A retiree who receives Social Security benefits
    C. A high school student who loses their part-time job
    D. A young professional who is physically no longer able to work

64. What part of a pay stub indicates the actual amount of money an employee takes home after all deductions have been withheld?
    A. Gross pay
    B. FICA withholdings
    C. Year-to-date earnings
    D. Net pay

65. What payroll expense is specifically designed to provide income and medical benefits to employees who are injured on the job?
    A. Medicare tax
    B. FUTA (Federal Unemployment Tax Act)
    C. Social Security tax
    D. Workers' compensation

66. A soft skill that is essential for long-term career progression, regardless of the industry, is
    A. anatomical knowledge.
    B. memorization skills.
    C. proficiency in coding.
    D. effective communication.

67. Each month, Javier has $210 automatically deducted from his checking account to pay for his car insurance, even though he's never had an accident. This $210 payment is Javier's
    A. co-insurance.
    B. policy limit.
    C. premium.
    D. deductible.

68. Why is lifelong learning essential for workers in the modern economy?
    A. To ensure employers cannot replace workers with automation
    B. To update skills as industries evolve and new technologies emerge
    C. To ensure that salaries will double every five years of their careers
    D. To fulfill a legal requirement that all workers must return to school

69. Insider trading is harmful to the securities industry primarily because it
    A. erodes public confidence in the fairness of markets.
    B. prevents the government from tracking large trades.
    C. causes large, unpredictable fluctuations in market prices.
    D. allows corporations to bypass federal tax obligations.

70. Janelle receives her credit report and notices it incorrectly lists one of her credit cards as open, even though she closed it several months ago. What should Janelle do?
    A. Reopen the account with her credit card company
    B. Report the error to her landlord
    C. Call the Internal Revenue Service (IRS)
    D. Report the error to the company that issued the report

71. Patty is choosing between a 2-year bond and a 30-year bond. She is worried that if she chooses the 30-year bond, rising interest rates will cause the value of the bond to drop before she can cash it out. What type of risk is Patty primarily concerned with?
    A. Maturity risk
    B. Default risk
    C. Liquidity risk
    D. Inflation risk

72. Genesis is rejected from a credit application because she doesn't reach the credit union's minimum age requirement of 26. This is a violation of the __________ Act.
    A. Federal Fair Debt Collection Practices
    B. Clayton
    C. Equal Credit Opportunity
    D. Truth in Lending

73. When researching a licensed securities professional, what type of organization provides the most reliable verification of their credentials?
    A. A nonprofit credit counseling agency like In Charge Debt Solutions
    B. A self-regulatory organization like FINRA
    C. A local commercial bank branch
    D. A consumer advocacy blog or social media group

74. An investor who chooses a value mutual fund over a growth mutual fund is generally accepting a __________ expected return in exchange for __________ risk.
    A. higher; more
    B. higher; less
    C. lower; more
    D. lower; less

75. Which of the following best describes the purpose of employee benefit plans:
    A. To replace the need for employees to pay federal income taxes on their wages
    B. To provide employees with additional liquid cash for daily expenses
    C. To eliminate an employee's responsibility for paying Social Security and Medicare taxes
    D. To increase an employee's total compensation package beyond their salary

76. If the central bank raises interest rates to fight high inflation, how is this most likely to impact financial markets?
    A. Unemployment rates decrease; companies must hire more people when prices rise.
    B. Bond prices increase; inflation makes fixed-interest payments more valuable.
    C. Stock prices increase; high inflation creates more total wealth for corporations.
    D. Stock prices decrease; borrowing money becomes more expensive for companies.

77. A(n) __________ warranty is an unwritten promise that a product will work as intended, while a(n) __________ warranty is a specific written or spoken promise.
    A. limited; full
    B. express; implied
    C. implied; express
    D. full; limited

78. JD has his credit card connected to his phone for quick, convenient purchases. While browsing social media, he finds a viral video advertising a solar-powered camera and purchases it in just a few taps. He later realizes the purchase did not fit into his budget. Which of the following statements explains JD's behavior:
    A. Social media advertising encourages impulse buying
    B. Advertising can control consumer decisions if done right
    C. Advertising of all kinds is unhealthy for consumers
    D. Social media advertising encourages careful buying decisions

79. Svetlana chooses to invest in a 30-year government bond rather than a 2-year treasury note. Which of the following best describes a key disadvantage Svetlana faces by choosing the longer maturity:
    A. Higher default risk
    B. Interest rate risk
    C. Higher transaction costs
    D. Early maturity penalties

80. Louis opens a new credit card that claims to have no annual fees and a low APR. However, he finds that he is being charged an annual fee. This may be a violation of the __________ Act.
    A. Consumer Goods Pricing
    B. Truth in Lending
    C. Civil Rights
    D. Federal Fair Debt Collection Practices

81. After Malia checks in at her doctor's appointment, the receptionist informs her she must pay $30 before seeing the doctor, regardless of the total bill for the visit. This $30 is Malia's
    A. deductible.
    B. co-payment.
    C. premium.
    D. out-of-pocket maximum.

82. What is the difference between homeowners' insurance and renters' insurance?
    A. Renters' only covers the building's structure and excludes the tenant's personal belongings.
    B. Renters' does not include liability protection for the policyholder.
    C. Homeowners' is strictly for accidental damage, while renters' only covers theft.
    D. Homeowners' covers the physical structure of the building, while renters' does not.

83. An individual's tax liability can best be described as the
    A. amount of income a person earns before any taxes are withheld by an employer.
    B. total amount of money a taxpayer receives as a refund from the government.
    C. financial penalty paid to the IRS for filing a tax return late.
    D. total amount of taxes owed to the government for a specific year.

84. Jorge has repeatedly missed his credit card payments, causing his credit score to drop. How might this affect his ability to rent an apartment?
    A. Federal laws restrict people with low credit scores from renting apartments.
    B. Landlords may offer more options to renters with lower credit scores.
    C. Jorge's credit score determines how much he is allowed to pay for rent.
    D. Landlords may require prospective renters to meet a minimum credit score.

85. Neeko wants to start a monthly budget. She knows her income and her financial goals. What should her next step be?
    A. Identify her monthly expenses
    B. Categorize her monthly expenses
    C. Track her monthly spending
    D. Call a financial advisor for help

86. Youssef overspent on his credit card and can't pay it off. What can he do to relieve his debt?
    A. Take out a loan to repay his credit card debt
    B. Cancel his credit card account
    C. Continue using his card as normal
    D. Ask his credit card issuer about other options

87. Kira is benchmarking the performance of her investment portfolio against the S&P 500 Index. Kira's portfolio achieved a 12% return, and the S&P 500 Index rose by 18% during the same period. This benchmarking process reveals that Kira's investment strategy
    A. yielded a 6% overall profit.
    B. outperformed the market by 6%.
    C. decreased her overall risk profile.
    D. resulted in a 6% opportunity cost.

88. Alex invests $50 a month in a diversified stock fund, while Sam puts $50 a month in a shoebox. After 10 years, which primary benefit will Alex likely experience that Sam will not?
    A. His money is fully protected by the federal government if the market crashes.
    B. His portfolio is guaranteed to never lose any of its original value.
    C. His money grows by earning interest on both principal and previous gains.
    D. His investment is easier to access and spend as cash.

89. Roads, national defense, and libraries are examples of services funded through taxation because they are __________ services.
    A. private
    B. exclusive
    C. public
    D. luxury

90. To best measure an individual employee's productivity at a packaging factory, De'Angelo should track the
    A. cost of the raw materials used in the packaging process.
    B. rate of output produced over a specific period of time.
    C. length of time the employee has worked for the company.
    D. total number of hours the employee is scheduled to work.

91. Which of the following is an example of soft insurance fraud:
    A. Overstating the value of items stolen during a burglary to receive a higher payout
    B. Reporting a vehicle as stolen when it was actually sold to a chop shop for parts
    C. Intentionally setting fire to a business to collect a large property insurance settlement
    D. Staging a fake car accident with several accomplices to file multiple injury claims

92. The Garcia family wants to save $5,000 per year for their daughter's future education. They want a plan that has no income limits that allows the money to grow tax-free when used for college tuition or room and board. Which plan best fits their needs?
    A. A 529 college savings plan, because it allows for high annual contributions and has no income restrictions
    B. A 401(k) plan, because it is the primary federal tool used for secondary and postsecondary school tuition
    C. A Coverdell education savings account, because it offers the most diverse investment options and has no contribution limits
    D. A traditional savings account, because it provides the highest interest rates and is designed for college expenses

93. News articles and experts warn the public that inflation is on the rise, and hyperinflation is likely to increase the prices of essential goods like toilet paper and diapers. How are these announcements likely to affect the price of these products?
    A. Prices will start randomly fluctuating
    B. Prices will rise substantially
    C. Prices will alternate between high and low
    D. Prices will drop substantially

94. Who is the beneficiary in a life insurance policy?
    A. The individual who receives the proceeds when the policyholder dies
    B. The individual responsible for assessing the health of the insured
    C. The individual who pays the premiums on behalf of the policyholder
    D. The insurance agent who sells the policy and manages the account

95. Which of the following is a benefit of having a high credit score:
    A. Discounted loan payments
    B. Lower mortgage rates
    C. Higher mortgage rates
    D. Discounted consumer goods

96. Kyle inherits a vintage baseball card collection appraised at a high value, yet he is unable to find a customer when he attempts to sell. This experience demonstrates that the financial return on a collectible is primarily dependent on the
    A. physical scarcity of the item.
    B. historical significance of the asset.
    C. presence of a willing buyer.
    D. seller's personal appraisal.

97. While comparing long-term savings options, Natalie's advisor recommends prioritizing a tax-deferred account such as a 401(k) over a standard brokerage account. The primary advantage of a tax-deferred account is the ability to
    A. hide her annual investment gains from the IRS.
    B. reinvest funds that would have been paid as annual taxes.
    C. access her principal investment without paying penalties.
    D. make unlimited contributions throughout the year.

98. Camila would like to retire next year and decides to move her funds into government bonds and fixed-income securities to avoid market swings. Based on her low risk tolerance, Camila is best described as a(n) __________ investor.
    A. aggressive
    B. moderate
    C. balanced
    D. conservative

99. The primary function of disability insurance is to
    A. replace part of an individual's income if they are unable to work due to illness or injury.
    B. pay for medical bills and hospital stays resulting from a serious illness or injury.
    C. provide a lump-sum payment to beneficiaries in the event of the policyholder's death.
    D. cover the cost of repairing a vehicle or home after a natural disaster.

100. Lucas takes out an $8,000 personal loan to start a small business. After the lender discloses the annual percentage rate (APR) and fee information, Lucas signs the contract. Six months later, his business fails and he stops making payments. Which statement correctly describes the legal situation?
    A. Federal law protects the borrower; lenders must wait three years before reporting late payments to credit bureaus.
    B. The lender shares the business risk; they must forgive the remaining loan balance if the business fails.
    C. The lender fulfilled disclosure requirements; Lucas is legally bound to repay the loan despite his business failure.
    D. Lucas may legally stop payments; he has the right to cancel the contract if he feels the interest rate is too high.

1. D

By reorganizing her debt to be paid at a new rate. Individuals may file for Chapter 7 (liquidation) or Chapter 13 (reorganization) Bankruptcy. Since Shallan does not qualify for liquidation, her other option is to file for reorganization, which consists of a court arranging for her debt to be paid off on a new plan. Selling her assets to repay debt is liquidation. Courts and credit companies generally do not simply forgive debt.

SOURCE: Managing Credit Grade 12

SOURCE: Cutler & Associates, LTD. (2026). *Liquidation vs. reorganization: An overview.* Retrieved February 6, 2026, from https://cutlerbankruptcy.com/liquidation-vs-reorganization-overview/

2. D

Money market accounts; growth stocks. Because of Bridgett's shorter investment horizon, she should choose low-risk options such as money market accounts or certificates of deposit (CDs). A long-term investment such as a retirement fund is not as susceptible to short-term market changes but requires more growth to offset the effects of inflation. Beverly's investment portfolio should prioritize options that provide capital appreciation such as growth stocks or equity funds.

SOURCE: Investing Grade 12

SOURCE: Harper, D. (2025, November 5). *Factors that move stock prices up and down.* Retrieved February 5, 2026, from https://www.investopedia.com/articles/basics/04/100804.asp

3. A

Reduce the number of cards. Having many credit accounts open can be an effective way to take advantage of the perks of credit, but can also be overwhelming and difficult to manage. When struggling with overspending and managing credit, it's often useful to simplify by reducing the number of sources of debt. Opening more credit cards would further complicate Garth's credit mix, making his problem worse. Getting rid of all sources of credit or filing for bankruptcy are extreme reactions that would likely have negative consequences.

SOURCE: Managing Credit Grade 12

SOURCE: U.S. Bank. (2025, July 22). *How to use your credit card wisely.* Retrieved February 6, 2026, from https://www.usbank.com/credit-cards/credit-card-insider/managing-credit/how-to-use-your-credit-card-wisely.html

4. D

Horizontal. Horizontal career advancement involves moving sideways within an organization to a role of similar status or salary, primarily for the purpose of broadening experience and skill sets rather than seeking immediate promotion. An example of vertical or traditional career advancement would be receiving a promotion. Stagnant career advancement occurs when career advancement is halted. Ariadna is continuing to advance her career by gaining new skills in her new role.

SOURCE: Earning Income Grade 12

SOURCE: Schreiber-Shearer, N. (2024, February 20). *Growth is the key to a high-performance workforce.* Retrieved February 10, 2026, from https://gloat.com/blog/why-horizontal-growth-is-the-key-to-a-high-performing-workforce/

5. A

Reduce risk to the lender. Banks require down payments to reduce the total amount they must lend and to prove the borrower's intent. Although down payments may benefit the borrower as well, reducing risk to the borrower is not their main purpose. Down payments are not required to make loans easier or harder to pay.

SOURCE: Managing Credit Grade 12

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

6. D

Money market account. Money market accounts act as a hybrid; they usually offer higher interest rates like a savings account but provide limited check writing or debt abilities. A Roth IRA account is a type of retirement savings account that offers many tax advantages but check writing is not part of the package. Certificates of deposit are a financial product that pays a fixed interest rate for a set period. Again, withdrawals are uncommon with this product and even involve a penalty fee if you remove any of the funds before the CD matures. Finally, a checking account does not accrue much interest.

SOURCE: Saving Grade 12

SOURCE: Roberte, L. (2025, November 13). *Money market account: How it works and how it differs from other bank accounts.* Retrieved February 11, 2026, from https://www.investopedia.com/terms/m/moneymarketaccount.asp

7. A

Decrease. New information about a company or its products can influence the company's stock price. When this news is negative, such as the leading product posing a serious safety risk, the stock price will most likely decrease as a result. This information would not lead to an increase, and it is not likely that this information would not affect the stock price. While the price might be volatile in the short term, the net movement is a downward trend in stock price.

SOURCE: Investing Grade 12

SOURCE: Beers, B. (2024, November 1). *How the news affects stock prices.* Retrieved February 16, 2026, from https://www.investopedia.com/ask/answers/155.asp

8. C

Collision insurance. Collision coverage specifically pays for repairs to your car resulting from a collision with another object or vehicle, regardless of fault. Liability insurance only covers damages and injuries you cause to others, not your own vehicle. Comprehensive insurance covers damage from non-collision events like theft, fire, or weather. Uninsured motorist protection only applies if the other driver is at fault and does not have insurance.

SOURCE: Managing Risk Grade 12

SOURCE: Kagan, J. (2025, November 10). *Understanding auto insurance: Coverage, costs, and how it works.* Retrieved February 12, 2026, from https://www.investopedia.com/terms/a/auto-insurance.asp

9. B

The Consumer Financial Protection Bureau and the Federal Reserve. The Consumer Financial Protection Bureau (CFPB) was created specifically to protect individual consumers from unfair, deceptive, or abusive practices like hidden fees. One of the primary responsibilities of the Federal Reserve is "prudential supervision," or ensuring banks keep enough cash on hand to maintain the stability of the financial system. The Securities and Exchange Commission (SEC) regulates the stock market and investments, not day-to-day consumer banking. The Internal Revenue Service (IRS) collects taxes but does not oversee bank operational reserves. While the Federal Bureau of Investigation (FBI) might investigate criminal bank robberies or massive money laundering, it does not regulate fee disclosures. The Social Security Administration manages retirement benefits, not the private banking industry. Finally, the World Bank provides loans to developing countries; it has no regulatory authority over a regional bank in the United States.

SOURCE: Saving Grade 12

SOURCE: FDIC. (2024, May 8). *Other regulators and organizations.* Retrieved February 13, 2026, from https://www.fdic.gov/consumer-resource-center/other-regulators-and-organizations

10. B

The Pell Grant and scholarship do not need to be repaid, while the direct subsidized loan must be paid with interest. Scholarships and grants are generally considered “free money.” A Pell Grant is federal need-based aid, and a scholarship is usually merit-based (neither require repayment). A loan, however, is borrowed capital that must be returned to the lender with interest. It is a misconception that grants and scholarships need repayment; they are not debts. Requiring interest on either would defeat its purpose as a financial award. Working for scholarships confuses a scholarship with a federal work-study program. While scholarships may have requirements (like keeping a certain GPA), they are not wages for labor. While losing a scholarship due to poor grades might mean Sarah has to find new funding, it does not typically turn past aid into a debt. Also, loans must be repaid regardless of academic performance.

SOURCE: Saving Grade 12

SOURCE: Federal Student Aid. (2026, January 2). *Types of financial aid: Grants, work-study, and loans.* Retrieved February 16, 2026, from https://studentaid.gov/understand-aid/types

11. D

Tax-free. One of the main benefits of a 529 savings plan is that the money withdrawn from it is tax-free, not just taxed at a reduced rate, as long as it is used to pay for education expenses. The money taken out of a 529 is not matched by the government or paid back over a period of time.

SOURCE: Managing Credit Grade 12

SOURCE: Anderson, B. (2026). *Financing your college education.* Retrieved February 5, 2026, from https://mycollegeguide.org/how-to-finance-college/

12. C

Extremely high interest rates. Payday loans can perpetuate the cycle of debt because they generally have very high interest rates that come due in a matter of weeks, making them very risky for individuals. Payday loans on their own do not damage credit scores, although failing to pay them on time could. Payday loans may be considered to have a bad reputation for perpetuating debt, but this is not the disadvantage they pose to consumers. Federal and state regulations of payday loans generally seek to protect consumers from unfair or deceptive practices, with some states banning payday loans outright.

SOURCE: Managing Credit Grade 12

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

13. C

Being a U.S. citizen or permanent resident at least 65 years old. Medicare is a federal health insurance program primarily designed for people aged 65 and older, regardless of their income level. Employment status does not determine eligibility for Medicare. Medicare is based on age or disability, not on having dependent children.

SOURCE: Managing Risk Grade 12

SOURCE: Florida Blue. (2026). *What is Medicare?* Retrieved February 12, 2026, from https://www.floridablue.com/medicare/education/what-is-medicare

14. C

$1,221. Annual percentage rate (APR) is the interest rate a credit card holder is charged on an unpaid balance. Since it is compounded monthly, we divide the total rate by 12 (0.21 / 12 = 0.0175). This is Garen’s monthly interest rate. We can then apply this rate to his balance of $1,200, then add it to his current balance to get the new balance ($1,200 X 0.0175 + $1,200 = $1,221).

SOURCE: Managing Credit Grade 12

SOURCE: USAA. (2026). *How credit card interest is calculated.* Retrieved February 4, 2026, from https://usaaef.org/credit-debt/debt/managing-debt/how-credit-card-interest-is-calculated

15. D

Transaction costs. Frequent active trading often involves transaction costs and ongoing fees. These costs can add up significantly over time and reduce the overall performance of Josephine's portfolio. Every time Josephine moves her money into or out of a "hot" stock, she encounters friction that chips away at her total balance. Compound interest is a benefit for investors; it is what helps money grow exponentially over time. Market stability and interest rates would not be as significant of factors as transaction costs for an active trader.

SOURCE: Investing Grade 12

SOURCE: U.S. Securities and Exchange Commission. (2025, July 23). *How fees and expenses affect your investment portfolio.* Retrieved February 10, 2026, from https://www.investor.gov/introduction-investing/general-resources/news-alerts/alerts-bulletins/investor-bulletins/updated

16. B

Is less likely to pay his debts. A credit report shows a borrower's history of managing debt. Reginald's poor credit report is seen as an indicator that he has failed to repay debts in the past, and therefore may fail in the future, making it less likely for lenders and creditors to accept his applications. Credit reports say nothing about a person's character traits, criminal background, or education.

SOURCE: Managing Credit Grade 12

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

17. D

Wages received from a part-time job. Earned income refers to money received in exchange for work, such as wages, salaries, tips, and bonuses. Interest earned on a savings account, monthly payments from rental property, and dividends paid from stock investments are considered unearned or passive income.

SOURCE: Earning Income Grade 12

SOURCE: Investopedia. (2025, September 7). *Understanding earned income and the earned income tax credit.* Retrieved February 10, 2026, from https://www.investopedia.com/terms/e/earnedincome.asp

18. B

Accounts for the change in purchasing power caused by inflation. The real return and the nominal return differ in that the real return adjusts for inflation, while the nominal represents the exact numerical dollar amount received at maturity. The after-tax return calculates the total return minus capital gains and income taxes. The risk-adjusted return adjusts the percentage of growth based on the specific risk and volatility of the asset class.

SOURCE: Investing Grade 12

SOURCE: Clay, M. (2024, October 9). *Understanding real vs. nominal rates of return.* Retrieved February 7, 2026, from https://welchgroup.com/understanding-real-vs-nominal-rates-of-return/

19. D

Lose ownership of the car. One risk of taking out a secured loan like a car loan is that you could lose your property if you default. If Lee cannot pay his car loan, his creditor may repossess his car in response. Lee will not lose responsibility for the loan, get a tax deduction, or get a long grace period.

SOURCE: Managing Credit Grade 12

SOURCE: Webber, M. (2025, November 19). *Consequences of missing car loan payments: Repossession and more.* Retrieved February 5, 2026, from https://www.investopedia.com/what-happens-if-i-don-t-pay-my-car-loan-7557588

20. D

Use a spreadsheet. A spreadsheet is a foundational tool for financial organization. Spreadsheets are commonly used for tasks like tracking multiple financial accounts, budgets, or loans, so they are perfect for Autumn's task. Adding more accounts unnecessarily will only worsen Autumn's problem. Word processing software is great for writing documents but is not ideal for tracking finances. Updating her passwords won't help her track multiple balances.

SOURCE: Spending Grade 12

SOURCE: Farrington, R. (2026, January 29). *How to completely organize your finances and your money.* Retrieved February 13, 2026, from https://thecollegeinvestor.com/15522/completely-organize-financial-life/

21. C

Total compensation includes employee benefits, while gross pay only includes wages. Total compensation is the sum of an employee's base pay plus the dollar value of all benefits provided by the employer. The amount of a paycheck is net pay, not total compensation. Gross pay represents the employee's earnings before any deductions are removed. It does not include the employer's share of taxes. Net pay is the amount after taxes, whereas both gross pay and total compensation are calculated before the employee's tax withholdings.

SOURCE: Earning Income Grade 12

SOURCE: Birt, J. (2025, December 15). *Salary vs. total compensation: What's the difference?* Retrieved February 10, 2026, from https://www.indeed.com/career-advice/pay-salary/salary-vs-total-compensation

22. D

Loan A, because it is paid over a longer period. The primary driver of monthly payments is the length of a loan. Since Loan A is being paid off over 30 years instead of 15, the monthly payments for Loan A will be much smaller. The effect of this will greatly outweigh the effect of a 1% difference in the loan's interest rate.

SOURCE: Managing Credit Grade 12

SOURCE: Segal, T. (2025, March 2). *Mortgage payment structure explained with example.* Retrieved February 5, 2026, from https://www.investopedia.com/mortgage/mortgage-rates/payment-structure/

23. B

Home equity loan. A home equity loan is a secured loan where Leia's house is put up as collateral. Because of this, home equity loans often have low interest rates. Since Leia will not default on the loan, she can take out a home equity loan to take advantage of its low interest rate. Student loans, credit cards, and personal loans all generally have higher interest rates.

SOURCE: Managing Credit Grade 12

SOURCE: Allred, C. (2025, March 20). *Secured vs. unsecured loans: What's the difference?* Retrieved February 5, 2026, from https://www.investopedia.com/secured-vs-unsecured-loans-7558592

24. C

Due to inflation, it is worth less than it was five years ago. Most years, the economy experiences some amount of inflation, causing the prices of goods and services to rise. This means that the same amount of money is worth slightly less each year. Many financial institutions pay interest on savings to account for inflation. Since Bennie stores his emergency fund in cash, he doesn't get any interest from it. This means Bennie's emergency fund is worth a little less each year as inflation causes prices to steadily rise.

SOURCE: Spending Grade 12

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

25. A

Loan A will have a larger monthly payment than Loan B. A mortgage's down payment is the amount of the house's value that is paid up front. Since Loan A has a lower down payment, more of the house's value will have to be borrowed, meaning Luca will have to pay more each month to cover the increased amount. Loan terms are determined by the loan contract, not by the down payment amount.

SOURCE: Managing Credit Grade 12

SOURCE: Investopedia. (2025, September 28). *Understanding down payments: Definition, requirements, and benefits.* Retrieved February 9, 2026, from https://www.investopedia.com/terms/d/down_payment.asp

26. A

The Luxe card, because it has no annual fee. Since Mei pays off her credit card statement every month, she will not be affected by the Luxe card's higher annual percentage rate (APR). The main difference for Mei is that she would pay $120 for the Super card but could use the Luxe card for no annual fee. This makes the Luxe card the better option.

SOURCE: Managing Credit Grade 12

SOURCE: Upstart. (2021, December 21). *The cost of credit: How much are you paying to borrow?* Retrieved February 4, 2026, from https://www.upstart.com/learn/cost-of-credit/

27. A

Increase gradually. By maintaining 2% annual inflation, prices can be expected to rise 2%, which is considered a gradual change. The U.S. government has a targeted inflation rate to help prevent rapid changes in prices. Gradual changes promote consumer confidence and encourage consumers to purchase now instead of later. Deflation would lead to a gradual decrease in prices, which is not beneficial. The U.S. government avoids deflation partially by having a targeted inflation rate.

SOURCE: Investing Grade 12

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

28. B

Price, quality, and features. Consumers tend to make product decisions based primarily on price, quality and features, since these determine a significant portion of the product's value. Other characteristics such as brand name, color and aesthetic, or build material can all affect the final purchase, but are unlikely to be the main drivers of the decision.

SOURCE: Spending Grade 12

SOURCE: Indeed. (2025, December 11). *The consumer decision-making process defined (with examples).* Retrieved February 12, 2026, from https://www.indeed.com/career-advice/career-development/consumer-decision-making-process

29. A

Significant blows to his credit score and report. After missing enough payments on a loan, the lender may sell it to a collections agency and report it to credit bureaus, which could lead to a major drop in the borrower's credit score. Lark would not face criminal charges for defaulting on a loan, nor would he lose any government-issued licenses. He also could not be banned from renting housing, although a lower credit score may make it harder for him to do so.

SOURCE: Managing Credit Grade 12

SOURCE: Luthi, B. (2024, January 22). *What happens if I default on a loan?* Retrieved February 9, 2026, from https://www.experian.com/blogs/ask-experian/what-does-it-mean-to-default-on-a-loan/

30. D

The property she is buying. When buying a property with a mortgage loan, the property itself acts as collateral for the loan. Vehicles are collateral for auto loans. Security deposits act as a type of collateral for renting. Taking out a loan on a different property is the basis of a home equity loan.

SOURCE: Managing Credit Grade 12

SOURCE: Segal, T. (2025, March 2). *Mortgage payment structure explained with example*. Retrieved February 5, 2026, from https://www.investopedia.com/mortgage/mortgage-rates/payment-structure/

31. C

Making payments on time. Credit score is determined by several factors, such as the length of credit history, credit mix, and credit utilization. The one with the greatest impact is credit history. Although the other aspects of Luna's credit will affect her, ensuring she makes payments on time is the most impactful way for her to improve her credit score.

SOURCE: Managing Credit Grade 12

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

32. B

Lower management fees and account minimums. Robo-advising requires lower management fees and account minimums than a traditional human advisor, but it lacks the personalized guidance during difficult market swings that a traditional advisor can provide. Disadvantages of robo-advising also include the lack of flexibility when selecting a portfolio and a limited investment strategy.

SOURCE: Investing Grade 12

SOURCE: Investopedia. (2025, August 4). *What is a robo-advisor?* Retrieved February 6, 2026, from www.investopedia.com/terms/r/roboadvisor-roboadviser.asp

33. D

Liam, who was laid off due to a company downsizing. Unemployment insurance is designed to provide temporary income to workers who lose their jobs through no fault of their own, such as during a company downsizing. Being fired for misconduct generally disqualifies an individual from benefits. Quitting voluntarily without good cause related to the employer typically makes one ineligible for benefits. Voluntarily leaving employment to pursue education is not covered by unemployment insurance.

SOURCE: Managing Risk Grade 12

SOURCE: Ohio Department of Job & Family Services. (n.d.). *Unemployment insurance*. Retrieved February 12, 2026, from https://jfs.ohio.gov/job-services-and-unemployment/unemployment/overview

34. D

Periodic interest rate. The periodic interest rate is the rate charged for a single billing cycle (usually monthly). The average daily balance is the sum of daily totals divided by days. APR is the total interest rate for one year. The minimum payment percentage is how much he must pay back. The principal balance is the total amount Leo owes.

SOURCE: Saving Grade 12

SOURCE: Upstart. (2021, December 21). *The cost of credit: How much are you paying to borrow?* Retrieved February 12, 2026, from https://www.upstart.com/learn/cost-of-credit/

35. D

Donate to local nonprofit organizations. Donating to local organizations is one of the primary ways to support a local community and is a great use of Clint's disposable funds. Buying online streaming subscriptions would support streaming companies rather than Clint's community. Generally, citizens don't have the option of paying "extra" taxes to the government. Buying groceries from large retail chains would support those chains, but would only indirectly benefit the community.

SOURCE: Spending Grade 12

SOURCE: The Educator Academy. (2024, May 21). *Why donate to a nonprofit organization.* Retrieved February 13, 2026, from https://educator-academy.org/why-donate-to-a-nonprofit-organization/

36. A

Larger. A larger risk pool includes more individuals, allowing the insurer to more accurately predict the number of claims and spread the cost of those claims over a wider base, leading to more stable premiums. A smaller risk pool means that a few high-cost claims could disproportionately affect the total losses, making premiums less stable. A riskier pool means the individuals within the pool are more likely to experience losses, which would cause premiums to increase, not stabilize. While diversity helps manage risk, it does not inherently mean the premiums are more stable if the pool is small or the overall risk is high. 'More expensive' describes the cost, not the size or stability of the pool. Size is the primary factor for stability.

SOURCE: Managing Risk Grade 12

SOURCE: Asia Pacific Actuarial Conference. (2025, February 20). *Understanding risk pools: Why they matter in insurance pricing.* Retrieved February 12, 2026, from https://aac2024.hk/understanding-risk-pools-why-they-matter-in-insurance-pricing/

37. B

Owning a house. Long-term goals typically take many years to complete. Owning a house usually involves paying off a mortgage, which can take decades. Building an emergency fund, paying off a credit card, and paying medical bills could take time depending on Bael's financial situation, but often can be completed within a year or two.

SOURCE: Spending Grade 12

SOURCE: Ponciano, J. (2025, April 2). *How to set financial goals for your future.* Retrieved February 12, 2026, from https://www.investopedia.com/articles/personal-finance/100516/setting-financial-goals/

38. A

The initial deposit, the interest rate, and the time period. To calculate the future value, Esteban needs the initial deposit or principal, the interest rate, and the time. Without the rate or time duration, there is no way to determine how long the interest has to compound. While inflation affects purchasing power, it is not a required variable to calculate the mathematical growth of a specific bond. A bank's address and founding date has no impact on the math of interest. Taxes are a post-calculation cost and don't change the raw calculative growth. Exchange rates only matter for international currency conversion, not a domestic savings bond.

SOURCE: Saving Grade 12

SOURCE: Fernando, J. (2025, October 6). *The time value of money: What it is and how it works.* Retrieved February 13, 2026, from https://www.investopedia.com/terms/t/timevalueofmoney.asp

39. C

Payment for medical treatment and partial replacement of lost wages. Workers' compensation is designed to cover the direct costs of medical care for the injury and a portion of the income lost while unable to work. Unemployment insurance is for job loss due to economic reasons, not injury. Retirement savings contributions and vacation pay are voluntary employee benefits, not mandatory insurance coverage. While death benefits exist, general life, dental, and vision insurance are separate types of policies.

SOURCE: Managing Risk Grade 12

SOURCE: Ohio Bureau of Workers' Compensation. (n.d.). *What is workers' compensation?* Retrieved February 12, 2026, from https://info.bwc.ohio.gov/for-workers/workers-compensation-and-support/what-is-workers-compensation

40. C

Your credit card company sends you a notification about a transaction you did not make. Unauthorized transactions are a primary sign that your financial information has been compromised. A lower balance due to legitimate spending is not an indication of theft. Providing a zip code for billing verification is a standard security measure and does not mean theft has occurred. Receiving marketing emails from companies you do business with is normal.

SOURCE: Managing Risk Grade 12

SOURCE: Hayes, M. (2024, June 3). *How to check for identity theft.* Retrieved February 12, 2026, from https://www.experian.com/blogs/ask-experian/how-do-you-check-for-identity-theft/

41. C

Form 1040. Form 1040 is the standard Internal Revenue Service (IRS) form used by individual taxpayers to file their annual income tax returns and calculate their final tax obligation. The W-2 is a summary of earnings and taxes withheld provided by an employer to the employee. It is a source of information used to fill out the tax return, not the return itself. The W-4 is a form completed by an employee when starting a job to tell the employer how much tax to withhold from their paycheck. Form 1099-INT is a statement sent by a bank or financial institution showing the interest income earned by the taxpayer, which must then be reported on Form 1040.

SOURCE: Earning Income Grade 12

SOURCE: IRS. (2026, January 23). *About Form 1040, U.S. Individual income tax return.* Retrieved February 10, 2026, from https://www.irs.gov/forms-pubs/about-form-1040

42. D

Roth 401(k). A Roth 401(k) account allows for a company match and provides tax-free withdrawals in retirement. Marcus wants to pay taxes now (post-tax) so the growth is tax-free later, and 401(k)s are an employer-sponsored plan, which is the only way he can receive the 3% company match. Pensions are managed by the employer, but they generally do not involve an individual contribution match or the specific Roth tax flexibility Marcus is looking for. A traditional IRA is pre-tax, meaning he would save on taxes now but pay them in retirement—the exact opposite of what Marcus wants. Additionally, an IRA is an individual account, not an employer-sponsored one with a company match. While safe, a certificate of deposit (CD) is a banking product, not a retirement plan. Its interest rates are typically much lower than the historical returns of the stock market, making it a poor choice for a 40-year retirement horizon.

SOURCE: Saving Grade 12

SOURCE: Fidelity. (2026, January 13). *9 types of retirement accounts.* Retrieved on February 1, 2026, from https://www.fidelity.com/learning-center/smart-money/retirement-accounts

43. C

FDIC. The Federal Deposit Insurance Corporation (FDIC) is responsible for insuring individual deposits up to $250,000 in the event of a bank failure. The Securities and Exchange Commission (SEC) is primarily responsible for protecting the stock market. The Consumer Financial Protection Bureau (CFPB) protects consumers from predatory behavior. The Small Business Administration (SBA) helps small business owners get loans and advice to start their companies.

SOURCE: Investing Grade 12

SOURCE: Kagan, J. (2023, March 14). *Federal Deposit Insurance Corp. (FDIC): Definition & limits.* Retrieved February 15, 2026, from https://www.investopedia.com/terms/f/fdic.asp

44. C

Research the composition of both indices to see which aligns better with her investment profile. Benchmarking is only effective if you are comparing similar industries and stocks. If Lilja's portfolio is mostly comprised of technology and high-growth stocks, Nasdaq would be a better indicator for performance. If Dow Jones tracks companies or industries that Lilja does not own stock in, then it would not be a good indicator for her portfolio's performance.

SOURCE: Investing Grade 12

SOURCE: Chen, J. (2025, August 21). *Investment benchmarks: Definition, types, and benefits explained.* Retrieved February 9, 2026, from https://www.investopedia.com/terms/b/benchmark.asp

45. A

Scholarships or grants. Scholarships and grants often do not require repayment if they can be secured. This way, Johan can finance his education without being put into debt. Additional job would be difficult since Johan is already working full-time. A 529 plan is a savings account that grows slowly over time and would likely not be practical for Johan's situation. Student loans would put Johan into debt, which he wants to avoid.

SOURCE: Managing Credit Grade 12

SOURCE: Anderson, B. (2026). *Financing your college education.* Retrieved February 5, 2026, from https://mycollegeguide.org/how-to-finance-college/

46. D

Comparison shopping. Comparison shopping is the act of visiting other businesses to learn what competing stores are selling and the prices they charge to select the best possible option. By comparing multiple sources, Lirin was able to save money and make a responsible financial decision. Impulse buying is spending that is the result of an on-the-spot decision and not part of an overall spending plan. Green marketing focuses on environmental friendliness and sustainability. Brand loyalty refers to customers' allegiance to a particular brand. This process is not impulse buying, green marketing, or brand loyalty.

SOURCE: Spending Grade 12

SOURCE: MBA Skool. (2025). *Comparison shopping.* Retrieved February 17, 2026, from https://www.mbaskool.com/business-concepts/marketing-and-strategy-terms/17840-comparison-shopping.html

47. D

$56,000. To calculate a 20% down payment, simply take 20% of the total cost of the condominium (0.20 X $280,000 = $56,000).

SOURCE: Managing Credit Grade 12

SOURCE: PenFed Credit Union. (2024, January 26). *How to calculate down payments.* Retrieved February 5, 2026, from https://www.penfed.org/mortgage/article/calculating-down-payment

48. A

Salaries are a fixed amount, while wages depend on hours worked. A salary is a predetermined, fixed amount of compensation for a year, whereas hourly wages are variable and calculated by multiplying the pay rate by the number of hours worked. The frequency of pay is determined by the employer's payroll policy, not by whether the pay is a salary or a wage. While salaried positions often come with benefits, many hourly positions also offer health insurance. Both salaries and hourly wages are considered earned income and are subject to income tax withholdings.

SOURCE: Earning Income Grade 12

SOURCE: Bester, V. (2025, December 15). *Guide to compensation types: Outline and benefits of each.* Retrieved February 10, 2026, from https://www.indeed.com/career-advice/pay-salary/compensation-type

49. B

Algorithms and historical data. Automated trading platforms use algorithms and historical data to predict how assets will behave under specific conditions. These platforms do not require manual oversight or physical certificates, and they lack personal intuition and judgment.

SOURCE: Investing Grade 12

SOURCE: Thompson, C. (2025, March 1). *Automated investing: What it is and how to take advantage of it.* Retrieved February 14, 2026, from https://www.investopedia.com/what-is-automated-investing-7569400

50. B

Contributing money to a 401(k). Contributions to retirement accounts are typically pre-tax, meaning they reduce the individual's taxable income, which in turn lowers the total tax liability. A bonus is considered earned income, which increases taxable income and therefore increases tax liability. Changing W-4 allowances only changes the amount withheld from a paycheck. It does not change the actual amount of tax owed for the year. Filing late often results in additional charges on top of the original liability.

SOURCE: Earning Income Grade 12

SOURCE: Adams, H. (2025, February 25). *What is a 401(k) and how does it work?* Retrieved February 10, 2026, from https://www.schwab.com/learn/story/how-do-401ks-work-frequently-asked-questions

51. D

An estimate of how much a buyer will actually pay. An advertised price on a high-priced item like a car is usually subject to negotiation before a final price is determined. Additionally, additional fees or taxes are usually not factored into an advertised price. The advertised price is not the final price or half of the total price. It is not a hard minimum on the truck's final price.

SOURCE: Spending Grade 12

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

52. B

Professional research. Actively managed mutual funds have a professional manager or team that actively researches and decides which investment opportunities to pursue. This manual component leads to higher expenses, such as management fees, research costs, and transaction fees. An index fund is a mutual fund that attempts to replicate the performance of a specific market index. These funds are passively managed with automated algorithms and require standardized portfolios.

SOURCE: Investing Grade 12

SOURCE: Hayes, A. (2025, December 11). *Investing in mutual funds: What they are and how they work.* Retrieved February 14, 2026, from https://www.investopedia.com/terms/m/mutualfund.asp

53. C

Reduced sales revenue. During a recession, consumer spending drops, leading to lower revenues. Increased consumer demand is a characteristic of the expansion phase, not a recession. Sales slow down during a recession, often leading to an increase in unsold inventory. Interest rates typically fall during a recession.

SOURCE: Earning Income Grade 12

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

54. B

Government bonds. Government bonds and certificate of deposits (CDs) are both low-risk lending investments; however, CDs prevent the investor from accessing their money without paying a penalty. Real estate and mutual funds are not considered to be low-risk investments; both are dependent on market conditions. Real estate can typically be difficult to liquidate, and mutual funds can carry penalties or fees for liquidation.

SOURCE: Investing Grade 12

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

55. B

Make sure the charity is registered with the state. Most charities must be registered with their state for oversight reasons. By checking for this registration, Mannie can ensure the charity he chooses is legitimate. Scammers impersonating charities can use professional-looking websites or phone donations to solicit donations from victims. Furthermore, charities should usually accept checks or credit cards, as cash donations are commonly required by scammers.

SOURCE: Spending Grade 12

SOURCE: Federal Trade Commission. (2026). *Before giving to a charity.* Retrieved February 13, 2026, from https://consumer.ftc.gov/articles/giving-charity

56. C

Less; increases. When interest rates fall, borrowing money becomes less expensive and demand for real estate increases, leading to an overall increase in market prices. When interest rates rise, borrowing money becomes more expensive and demand decreases. When borrowing money is less expensive, demand does not typically decrease; and when borrowing money is more expensive, demand does not typically increase.

SOURCE: Investing Grade 12

SOURCE: Haagenson, A. (2025, February 25). *The impact of interest rate fluctuations on real estate investments.* Retrieved February 7, 2026, from https://www.bradymartz.com/the-impact-of-interest-rate-fluctuations-on-real-estate-investments/

57. B

Mandatory payments to the government. Taxes are financial charges imposed by the government to fund public goods and services. Taxes are mandatory, not optional or voluntary. Taxes are a method of collecting revenue to fund a budget, not an interest charge by the government.

SOURCE: Earning Income Grade 12

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

58. B

Investigate the error and limit the customer's liability to $50. Regulation E protects consumers in electronic transfers. If reported quickly (within two days), the consumer's loss is capped at $50, and the bank must follow a strict timeline to investigate. Closing the customer's account, ignoring the report, and waiting 30 days to investigate are all examples of violating federal consumer protection laws, which mandate error resolution procedures to maintain public trust in digital banking.

SOURCE: Saving Grade 12

SOURCE: Kenton, W. (2025, September 8). *Understanding regulation E: Your guide to electronic fund transfers.* Retrieved February 13, 2026, from https://www.investopedia.com/terms/r/regulation-e.asp

59. D

The opportunity cost, which is the lost potential for that money to earn interest. Every financial decision has a tradeoff. By choosing immediate consumption (the vacation), Jada gives up the security and growth that comes with saving. In the event of an emergency, the consequence is that she may have to take on high-interest debt (like a credit card) because she spent her liquid cash. While memories are valuable, net worth is a mathematical calculation of assets minus liabilities. A vacation is an expense, not an asset, and does not increase financial net worth. Banks do not lower your credit score for choosing to spend cash. Credit scores are based on how you manage borrowed money (debt), not how you choose to spend your own gifts. Finally, inflation leading to a lower overall cost is mathematically backward. Due to inflation, the price of goods and services (like flights and hotels) generally increases over time, making the vacation more expensive in the future, not cheaper.

SOURCE: Saving Grade 12

SOURCE: Fernando, J. (2025, June 10). *Opportunity cost: Definition, formula, and examples.* Retrieved February 13, 2026, from https://www.investopedia.com/terms/o/opportunitycost.asp

60. B

Increased material and labor costs. As inflation rises, material and labor costs often rise to compensate for the reduced value of money. This could affect Siddhartha Manufacturing's bottom line and should be accounted for. Inflation does not usually increase supply, since it often becomes more expensive to produce goods and services. Decreased material and labor costs is an effect of deflation. Decreased supply and increased demand can be a cause of inflation, but it is not usually a direct effect.

SOURCE: Spending Grade 12

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

61. A

Federal and state tax revenue; state. Medicaid operates as a partnership where the federal government sets core requirements and provides matching funds, but each state designs and runs its own version of the program. It is funded by federal and state tax revenue and administered at the federal level. Medicare is funded by federal payroll taxes and administered at the federal level. Local governments do not have the sole responsibility for managing Medicaid. Medicaid is a tax-funded government entitlement program, not a charity supported by donations.

SOURCE: Managing Risk Grade 12

SOURCE: Ohio Department of Medicaid. (n.d.). *Medicaid programs.* Retrieved February 12, 2026, from https://medicaid.ohio.gov/families-and-individuals/srvcs/medicaid-programs

62. D

Growth stocks and equity-based mutual funds. Rukhsana is best described as a very risk tolerant person. Rukhsana's financial stability and aggressive goals make her best suited for an investment portfolio that offers high return for increased risk. Growth stocks are shares in companies expected to grow at a rate significantly above the market average, while value stocks are shares in undervalued companies with strong fundamentals. Equity-based mutual funds are stock-based mutual funds with high-growth potential. Treasury bonds, money market accounts, and certificates of deposits (CDs) are low-risk investment vehicles with low returns and would not fit Rukhsana's financial profile.

SOURCE: Investing Grade 12

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

63. D

A young professional who is physically no longer able to work. Disability insurance protects the ability to earn an income, making it vital for those who rely on a paycheck to meet their financial obligations, but are physically no longer able to work. Retirees no longer rely on labor-based income, so a disability would not cause a loss of earned wages. While a loss of income is unfortunate for a student, they typically do not have dependents or significant financial obligations that require long-term protection. If an individual's lifestyle is already funded by passive income, they are effectively self-insured against the loss of their ability to work.

SOURCE: Managing Risk Grade 12

SOURCE: Western & Southern Financial Group. (2026, January 30). *Life insurance needs analysis: Finding the right coverage.* Retrieved February 12, 2026, from https://www.westernsouthern.com/life-insurance/life-insurance-needs-analysis

64. D

Net pay. Net pay is the final amount of money remaining after all deductions have been subtracted from the gross earnings. Gross pay is the total amount of money earned before any deductions are taken out. Year-to-date reflects the total earnings or deductions from the beginning of the calendar year to the current pay period, not the specific amount for the current check. FICA represents specific deductions for Social Security and Medicare, which are subtracted from gross pay rather than being the final amount received.

SOURCE: Earning Income Grade 12

SOURCE: ADP. (2026). *What is net pay?* Retrieved February 10, 2026, from https://www.adp.com/resources/articles-and-insights/articles/w/what-is-net-pay.aspx

65. D

Workers' compensation. Workers' compensation is a form of insurance that employers are required to pay to provide wage replacement and medical care to employees who suffer work-related injuries or illnesses. FUTA funds unemployment insurance programs for workers who have lost their jobs through no fault of their own, not for those injured while working. Social Security tax provides benefits for retirees, the disabled, and survivors, rather than addressing immediate workplace injury needs. Medicare tax is used to fund health insurance for people 65 or older and younger people with certain disabilities.

SOURCE: Earning Income Grade 12

SOURCE: Ohio Bureau of Workers' Compensation. (n.d.). *What is workers' compensation?* Retrieved February 10, 2026, from https://info.bwc.ohio.gov/for-workers/workers-compensation-and-support/what-is-workers-compensation

66. D

Effective communication. Soft skills are transferable across all careers. Effective communication is an example of a soft skill because it is essential no matter where you work. Proficiency in coding and having anatomical knowledge are examples of hard skills because they are career-specific. Memorization skills, while beneficial in some environments, are not required for long-term career progression.

SOURCE: Earning Income Grade 12

SOURCE: Herrity, J. (2025, December 11). *15 types of professional soft skills (with definitions).* Retrieved February 10, 2026, from https://www.indeed.com/career-advice/career-development/professional-skills

67. C

Premium. The premium is the periodic payment made to the insurer to maintain coverage. The premium is the cost of the insurance, paid regularly to keep the contract active. The amount the policyholder must pay out-of-pocket before insurance covers the rest is the deductible. The co-insurance is the percentage of a claim the policyholder pays after meeting the deductible. The policy limit is the maximum amount insurance would pay in an accident.

SOURCE: Managing Risk Grade 12

SOURCE: Kagan, J. (2025, December 29). *What is insurance?* Retrieved February 12, 2026, from https://www.investopedia.com/terms/i/insurance.asp

68. B

To update skills as industries evolve and new technologies emerge. The rapid pace of technological change requires workers to continuously update their knowledge and skills to remain competitive in the job market. While education reduces the risk of displacement, it cannot guarantee that a specific role will never be impacted by automation. While education often leads to higher earning potential, there is no automatic guarantee based solely on time. There is no universal law requiring workers to return to formal schooling.

SOURCE: Earning Income Grade 12

SOURCE: Eastern Michigan University. (2024, July 15). *Why continuous learning is imperative in today's dynamic work environment.* Retrieved February 10, 2026, from https://www.emich.edu/ppat/news/why-continuous-learning-imperative-dynamic-work-environment.php

69. A

Erodes public confidence in the fairness of markets. Insider trading creates an unfair informational advantage that discourages public participation in the markets. An example of tax evasion is when corporations illegally bypass federal tax obligations, but this is not an example or effect of insider trading. While insider trading can affect stock prices, this is not the primary reason the practice is harmful. A more pertinent result is the erosion of public confidence. Insider trading is not necessarily hidden from the federal government; the government can still track and review these transactions.

SOURCE: Investing Grade 12

SOURCE: Ita, D. (2025, April 10). *What is insider trading and when is it legal?* Retrieved February 9, 2026, from https://www.investopedia.com/terms/i/insidertrading.asp

70. D

Report the error to the company that issued the report. Inaccuracies in a credit report can give lenders an incorrect impression of your credit, leading to higher borrowing costs or undeserved rejections. Reopening the account is unnecessary. The IRS does not typically handle credit report errors. While Janelle's landlord could view her credit report, it is more important to correct the error in the report.

SOURCE: Managing Credit Grade 12

SOURCE: Consumer Financial Protection Bureau. (2024, January 29). *What are common credit report errors that I should look for on my credit report?* Retrieved February 9, 2026, from https://www.consumerfinance.gov/ask-cfpb/what-are-common-credit-report-errors-that-i-should-look-for-on-my-credit-report-en-313/

71. A

Maturity risk. Maturity risk is the risk that the value of a long-term investment will fluctuate more than a short-term one due to changes in market interest rates, which is what was described in this scenario. Default risk refers to the chance that the bond issuer will go bankrupt and fail to pay back the loan. Liquidity risk involves the difficulty of finding a buyer to quickly convert the bond into cash without a loss. Inflation risk is the danger that the purchasing power of the bond's fixed payments will decrease over time.

SOURCE: Saving Grade 12

SOURCE: Universal CPA Review. (2021, August 3). *What are the types of interest rate premiums related to interest rate risk?* Retrieved February 11, 2026, from https://www.universalcpareview.com/ask-joey/what-are-the-types-of-interest-rate-premiums-related-to-interest-rate-risk/

72. C

Equal Credit Opportunity. The Equal Credit Opportunity Act prohibits discrimination for attributes like race, sex, religion, and age. In other words, Genesis cannot be rejected just because she is not yet 26. The Truth in Lending Act requires lenders to meet disclosure standards for credit costs and contract terms. The Federal Fair Debt Collection Practices Act prohibits abusive or unfair debt collection practices. The Clayton Act restricts business actions that might restrict competition.

SOURCE: Spending Grade 12

SOURCE: Federal Trade Commission. (2026). *Equal Credit Opportunity Act.* Retrieved February 13, 2026, from https://www.ftc.gov/legal-library/browse/statutes/equal-credit-opportunity-act

73. B

A self-regulatory organization like FINRA. FINRA's BrokerCheck is the definitive public database for verification and background checks for financial professionals. BrokerCheck is a government-authorized, free tool that helps individuals research brokers, investment firms, and financial advisors. In Charge Debt Solutions is a nonprofit credit counseling agency and would not be helpful in selecting a securities sales agent. A consumer advocacy blog or social media group may be dedicated to consumer basics, such as avoiding scammers and identity theft, but it does not maintain a directory of licensed investment professionals. A local commercial bank branch does not maintain a central database for securities professionals.

SOURCE: Investing Grade 12

SOURCE: Kagan, J. (2024, September 10). *FINRA BrokerCheck: What it means, how it works.* Retrieved February 15, 2026, from https://www.investopedia.com/terms/f/finra-brokercheck.asp

74. D

Lower; less. Value mutual funds are low-risk investment vehicles with lower returns than growth mutual funds. Value investing refers to investing in undervalued companies with strong fundamentals, leading to a lower return with less associated risk. Investors in growth mutual funds generally accept a higher expected return in exchange for more risk.

SOURCE: Investing Grade 12

SOURCE: Cussen, M. (2025, November 8). *Value vs. growth stocks: Which investment strategy fits your goals?* Retrieved February 10, 2026, from https://www.investopedia.com/articles/professionals/072415/value-or-growth-stocks-which-best.asp

75. D

To increase an employee's total compensation package beyond their salary. Benefits are a form of compensation that adds significant value to an employee's total rewards package, helping to provide security and financial support that the employee would otherwise have to fund themselves. Most benefits are non-cash and cannot be used for daily spending. While some benefits offer tax advantages, they do not eliminate the legal requirement for employees to pay taxes. Social Security and Medicare are mandatory payroll tazes, not benefits.

SOURCE: Earning Income Grade 12

SOURCE: Workforce Edge. (2025, June 7). *What is the purpose of employer-provided benefits?* Retrieved February 10, 2026, from https://www.workforceedge.com/blog/what-is-purpose-employer-provided-benefits/

76. D

Stock prices decrease; borrowing money becomes more expensive for companies. Stock prices decreasing because of high interest rates is the most direct market friction. When interest rates go up, it costs more for companies to take out loans to build new factories or develop products. Higher costs usually mean lower profits, which makes their stock less attractive to investors. If inflation is too high and the central bank raises rates, the economy usually slows down, which can increase unemployment. Bonds lose value with inflation. When interest rates rise, existing bonds with lower rates become stale, causing their market price to drop.

SOURCE: Saving Grade 12

SOURCE: Investopedia. (2025, July 16). *Economic indicator: Definition and how to interpret.* Retrieved February 12, 2026, from https://www.investopedia.com/terms/e/economic_indicator.asp

77. C

Implied; express. An implied warranty is an unwritten promise that a product will work as intended, while an express warranty is a specific written or spoken promise. Limited warranties and full warranties are two subcategories of express warranties.

SOURCE: Managing Risk Grade 12

SOURCE: LAP-PM-920—Promises, Promises (Warranties and Guarantees)

78. A

Social media advertising encourages impulse buying. Social media advertising pairs trendy, attention-grabbing content with quick and convenient purchasing options, making it very easy for consumers to make impulsive purchases. Advertising is not necessarily healthy or unhealthy for consumers. Social media does not encourage careful buying decisions, but the opposite. Advertising does not generally control consumers, though it does influence them.

SOURCE: Spending Grade 12

SOURCE: Song, L. (2025, February 21). *How social media fuels impulse purchasing.* Retrieved February 13, 2026, from https://susocial.com/how-social-media-fuels-impulse-purchasing/

79. B

Interest rate risk. Bonds with longer maturities are more susceptible to changes in inflation and interest rates. These changes impact long-term bonds more significantly than short-term bonds due to the greater duration of the bond. When interest rates rise, the value of the bond decreases, and there is a greater probability of such an occurrence over a longer period. Both government bonds and treasury notes have a low default risk, regardless of the length of the bond. Bonds do not typically have early maturity penalties charged by the issuer. The transaction costs for a long-term government bond or a short-term treasury note are the same.

SOURCE: Investing Grade 12

SOURCE: Gallant, C. (2025, November 1). *Understanding interest rate risk in long vs. short-term bonds.* Retrieved February 13, 2026, from https://www.investopedia.com/ask/answers/05/ltbondrisk.asp

80. B

Truth in Lending. The Truth in Lending Act was made to ensure consumers get a clear and accurate picture of their credit costs, including fees and interest rates. By leading Louis to believe he would pay no annual fees, then charging him anyway, the credit card issuer may be in violation of the Truth in Lending Act. The Federal Fair Debt Collection Practices Act prohibits abusive or unfair debt collection practices. The Civil Rights Act could refer to either the Civil Rights Act of 1964 or 1991, both of which expanded civil rights for certain groups of people. The Consumer Goods Pricing Act gives retailers the right to establish a product's final price.

SOURCE: Spending Grade 12

SOURCE: Kenton, W. (2025, September 13). *Truth in Lending Act (TILA): Comprehensive consumer protections explained.* Retrieved February 13, 2026, from https://www.investopedia.com/terms/t/tila.asp

81. B

Co-payment. A co-payment is a predetermined, flat fee paid by the insured for specific services or prescriptions. A premium is the regular payment made to keep the insurance policy active, regardless of whether services are used. A deductible is the total amount a policyholder must pay for covered services in a year before the insurance company begins to pay. The out-of-pocket maximum is the absolute limit on what a policyholder will pay in a year, after which the insurer covers 100% of the costs.

SOURCE: Managing Risk Grade 12

SOURCE: Cigna. (n.d.). *Understanding copays, deductibles, and coinsurance.* Retrieved February 12, 2026, from https://www.cigna.com/knowledge-center/copays-deductibles-coinsurance

82. D

Homeowners' covers the physical structure of the building, while renters' does not. A landlord is responsible for insuring the building's structure, so a renter only needs to insure their own possessions and liability. Both homeowners' and renters' policies typically include liability coverage to protect the individual from lawsuits. The primary purpose of renters' insurance is to protect the tenant's personal belongings, not the building. Both types of policies generally cover a wide range of perils, including both accidental damage and theft.

SOURCE: Managing Risk Grade 12

SOURCE: Investopedia. (2024, May 29). *Homeowners insurance vs. Renters insurance: What's the difference?* Retrieved February 12, 2026, from https://www.investopedia.com/ask/answers/101314/whats-difference-between-renters-insurance-and-homeowners-insurance.asp

83. D

Total amount of taxes owed to the government for a specific year. Tax liability represents the total amount of tax due to tax authorities based on an individual's income, deductions, and credits. A refund is the money returned to a taxpayer when they have overpaid their liability. The amount of income a person earns before any taxes are withheld by an employer defines gross income. A penalty is only part of an individual's tax liability if they fail to comply with tax laws, not the entire liability.

SOURCE: Earning Income Grade 12

SOURCE: Investopedia. (2025, September 10). *Tax liability: Definition, calculation and example.* Retrieved February 10, 2026, from https://www.investopedia.com/terms/t/taxliability.asp

84. D

Landlords may require prospective renters to meet a minimum credit score. Your credit score is seen as an indicator of your ability to meet financial commitments such as repaying debt or paying bills. As such, landlords often look at a person's credit score when deciding whether to host them as a tenant. There are no federal laws restricting people from renting based on their credit scores, nor do credit scores dictate how much a person may pay for rent. Landlords prefer high credit scores, not low ones.

SOURCE: Managing Credit Grade 12

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

85. A

Identify her monthly expenses. After knowing her income and goals, Neeko should identify what she spends money on in a given month. This will allow her to start categorizing and tracking her expenses. Although financial advisors can help with developing a budget, anyone can develop their own personal budget.

SOURCE: Spending Grade 12

SOURCE: Oregon Division of Financial Regulation. (n.d.). *Creating a personal budget.* Retrieved February 12, 2026, from https://dfr.oregon.gov/financial/manage/pages/budget.aspx

86. D

Ask his credit card issuer about other options. If Youssef can't pay off his credit card debt, he may be able to ask his credit card issuer about other options such as debt relief, hardship forbearance, or alternative repayment plans. Continuing to use his credit card will make the problem worse. Cancelling his credit card account will not erase his debt. Taking out another loan to repay the debt will simply transfer his debt to another holder.

SOURCE: Managing Credit Grade 12

SOURCE: Fidelity. (2025, August 28). *What to do if you can't pay credit card bills.* Retrieved February 6, 2026, from https://www.fidelity.com/learning-center/smart-money/cant-pay-credit-card-debt

87. D

Resulted in a 6% opportunity cost. Benchmarks such as the S&P 500 Index help provide a wider view of the economic health of the United States because it includes many companies from different sectors. By comparing her results with the S&P 500 Index, Kira can assess the opportunity cost associated with her investment strategy. While Kira's portfolio achieved a 12% return, she would have earned a higher return had she invested in a low-risk index fund. Kira's investment yielded a 12% profit but underperformed the market by 6%. There is not enough information provided to determine whether Kira's risk profile was affected.

SOURCE: Investing Grade 12

SOURCE: Reiff, N. (2025, May 22). *Why do investors use the S&P 500 as a benchmark?* Retrieved February 8, 2026, from https://www.investopedia.com/ask/answers/041315/what-are-pros-and-cons-using-sp-500-benchmark.asp

88. C

His money grows by earning interest on both principal and previous gains. While Sam's money stays the same (and loses purchasing power due to inflation), Alex's investment earns returns. Over 10 years, those returns are reinvested to earn even more returns, creating a snowball effect. Cash in a shoebox is the most liquid asset because it can be spent instantly. Stocks must be sold, which can take a few days, making them less liquid than cash. Investing always involves risk. While the stock market has historically gone up over long periods, there are no guarantees. Sam's cash is safer from market drops, though it is risky in terms of losing value to inflation. Finally, FDIC insurance is a common point of confusion. The FDIC only insures bank deposits. It does not insure stock market investments or mutual funds.

SOURCE: Saving Grade 12

SOURCE: Hayes, A. (2025, October 8). *Saving vs. investing: What teens should know.* Retrieved February 13, 2026, from https://www.investopedia.com/articles/investing/022516/saving-vs-investing-understanding-key-differences.asp

89. C

Public. Roads, national defense, and libraries are considered public services. Private services are products that can be owned and used exclusively by individuals who pay for them, whereas the aforementioned services are open to the public. Tax-funded public services are available to all citizens regardless of the amount an individual pays in taxes. These services are not luxury services. They are designed to meet societal needs, not to generate a profit.

SOURCE: Earning Income Grade 12

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

90. B

Rate of output produced over a specific period of time. Productivity is the efficiency of production, calculated by comparing the amount of goods produced to the time it takes to create them. The number of hours the employee is scheduled to work measures availability, not output. The cost of raw materials is an input cost. The length of time of employment measures seniority.

SOURCE: Earning Income Grade 12

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

91. A

Overstating the value of items stolen during a burglary to receive a higher payout. Soft fraud involves a person who has a legitimate claim but inflates the damages to get more money than they are entitled to. Arson is a planned, criminal act that is categorized as hard fraud. Fabricating an entire theft event is a deliberate criminal conspiracy classified as hard fraud. Staged accidents are premeditated criminal acts, which also fall under the category of hard fraud.

SOURCE: Managing Risk Grade 12

SOURCE: Progressive. (2025). *What is insurance fraud?* Retrieved February 12, 2026, from https://www.progressive.com/answers/insurance-fraud/

92. A

A 529 college savings plan, because it allows for high annual contributions and has no income restrictions. 529 plans are state-sponsored and specifically designed for education. Unlike the Coverdell education savings account, they do not have a $2,000 annual contribution cap (making the Garcias' $5,000 goal possible), and there are no income phase-outs that prevent high earners from participating. The growth and withdrawals are tax-free when used for qualified expenses. A regular savings account is not an education plan. It does not offer tax-free growth; the family would have to pay taxes every year on the interest earned, and interest rates are typically much lower than the investment returns possible in a 529 plan. A 401(k) is a retirement plan, not an education savings plan.

SOURCE: Saving Grade 12

SOURCE: Information Station. (2023, February 23). *How 529 plans help you save for college.* Retrieved February 13, 2026, from https://informationstation.org/kitchen_table_econ/how-529-plans-help-you-save-for-college/

93. B

Prices will rise substantially. When inflation is feared to be out of control and prices are expected to rise, consumers may buy and hoard goods while prices are still low. This can skyrocket the demand for products in a short time, leading to much higher prices as supplies dwindle. Prices are unlikely to start alternating between high and low. Similarly, prices will not randomly fluctuate, but respond to changes in supply and demand.

SOURCE: Spending Grade 12

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

94. A

The individual who receives the proceeds when the policyholder dies. The beneficiary is the specific person named in the policy to receive the proceeds upon the death of the insured. The person paying the premiums is the policyholder. The insurance agent who sells the policy and manages the account is the broker. The person responsible for assessing the health of the insured is the medical examiner.

SOURCE: Managing Risk Grade 12

SOURCE: Liberty Mutual Insurance. (2026). *What is life insurance, and how does it work?* Retrieved February 12, 2026, from https://www.libertymutual.com/insurance-resources/life/how-does-life-insurance-work

95. B

Lower mortgage rates. A borrower's credit score is a major factor lenders use to determine loan terms and rates, including mortgage rates. A higher credit score will typically help a borrower get a lower mortgage rate, reducing the overall cost of the loan. A credit score has no effect on the price of consumer goods and does not give discounts on loan payments.

SOURCE: Managing Credit Grade 12

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

96. C

Presence of a willing buyer. Collectibles are items that gain or lose value over time, such as baseball cards. Getting a good return from a collectible depends on two key factors: the presence of a willing buyer and future demand. While the baseball collection may be appraised at a high value, if nobody is willing to purchase it, the appraised value is meaningless. Because of this, collectibles are generally considered to be a risky or speculative investment. While the historical significance and physical scarcity of the item can add value, the primary factor in receiving a financial return is whether someone is willing to purchase it.

SOURCE: Investing Grade 12

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

97. B

Reinvest funds that would have been paid as annual taxes. The primary advantage of a tax-deferred account is the postponement of paying taxes, which allows Natalie to reinvest the money that would have gone to taxes. By investing this money earlier, compound interest creates a larger return than investing later. A disadvantage of tax-deferred accounts is they often carry a penalty for early withdrawal. Standard brokerage accounts have unlimited contributions; the Internal Revenue Service (IRS) sets strict annual contribution limits for IRAs and 401(k)s. Hiding annual investment gains from the IRS would be tax evasion and is an unethical and illegal practice.

SOURCE: Investing Grade 12

SOURCE: Pinkasovitch, A. (2024, September 23). *Tax-deferred vs. tax-exempt retirement accounts.* Retrieved February 15, 2026, from https://www.investopedia.com/articles/taxes/11/tax-deferred-tax-exempt.asp

98. D

Conservative. Conservative investors prefer to have limited volatility in their investment portfolio. Because Camila is nearing retirement age, she is unwilling to risk a significant loss to her principal investment and prefers low-risk investments. Aggressive investors are willing to risk significant losses for the potential of better returns. Moderate, also known as balanced, investors generally choose to develop a mixed portfolio. They want to grow their investments without taking on too much risk.

SOURCE: Investing Grade 12

SOURCE: Twin, A. (2025, September 9). *What is risk tolerance, and why does it matter?* Retrieved February 5, 2026, from https://www.investopedia.com/terms/r/risktolerance.asp

99. A

Replace part of an individual's income if they are unable to work due to illness or injury. Disability insurance is specifically designed to protect an individual's earning power by providing income when they cannot perform their job duties. Medical bills and hospital stays are covered by health insurance, not disability insurance. A lump-sum payment upon death is the function of life insurance. Property damage is covered under homeowners, renters, or car insurance policies.

SOURCE: Managing Risk Grade 12

SOURCE: Kawashima, C. (2025, May 19). *What is disability insurance and how does it work?* Retrieved February 12, 2026, from https://www.schwab.com/learn/story/disability-insurance

100. C

The lender fulfilled disclosure requirements; Lucas is legally bound to repay the loan despite his business failure. Under the Truth in Lending Act (TILA), lenders must disclosure the total cost of credit (APR, fees) so the borrower can make an informed choice. Once the contract is signed, the borrower is legally obligated to repay the debt. Financial hardship does not automatically cancel the legal promise to pay. A lender provides capital, not a guarantee of profit. The risk of the business venture falls entirely on the entrepreneur (the borrower). A signature on a loan note creates a binding legal obligation. If a borrower finds the rate too high later, their legal option is to refinance, not to simply stop paying, which results in default. Lenders can report late payment to credit bureaus as soon as 30 days past the due date and can initiate collection actions much sooner than five years.

SOURCE: Saving Grade 12

SOURCE: Kenton, W. (2025, September 13). *Truth in Lending Act (TILA): Comprehensive consumer protections explained.* Retrieved February 13, 2026, from https://www.investopedia.com/terms/t/tila.asp