



# SAMPLE EXAM

## PERSONAL FINANCIAL LITERACY

THE PERSONAL FINANCIAL LITERACY EXAM IS USED  
FOR THE FOLLOWING EVENT:

PERSONAL FINANCIAL LITERACY **PFL**

These test questions were developed by the MBA Research Center. Items have been randomly selected from the MBA Research Center's Test-Item Bank and represent a variety of instructional areas. Performance indicators for these test questions are at the prerequisite, career-sustaining, and specialist levels. A descriptive test key, including question sources and answer rationale, has been provided.

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Posted online March 2026 by DECA Inc.

1. What is good advice to follow to avoid excessive debt?
  - A. Engage in impulse buying to avoid unmanageable debt.
  - B. Use cosigners on loans so that they can be held responsible for excessive debt.
  - C. Notify creditors immediately when you know your payments will be late.
  - D. Think long term and be realistic about income and expenses.
  
2. Which of the following characteristics are necessary for entrepreneurs to be successful:
  - A. Determination and aggression
  - B. Creativity and innovation
  - C. Timidity and organization
  - D. Optimism and risk aversion
  
3. The disadvantage to paying just the minimum amount due on your credit card each month is that you
  - A. pay interest on purchases.
  - B. establish a credit rating.
  - C. earn quarterly dividends.
  - D. defer cash payments.
  
4. Which of the following is an expense that a typical car insurance policy will cover:
  - A. Injuries you cause to someone else in a car accident
  - B. Water leaking from the roof of your garage
  - C. Personal belongings stolen from your car
  - D. Damage to the stereo system you installed in your car
  
5. One of the best ways to protect yourself against identity theft is to
  - A. monitor your credit and bank accounts continuously.
  - B. pay for your purchases with debit cards.
  - C. pay your bills online.
  - D. use the same password for all online financial accounts.
  
6. Don has worked at a factory for over 30 years and is looking forward to his retirement. Which of the following is the best way for him to insure a financially secure retirement:
  - A. Count on receiving an inheritance.
  - B. Retire later than planned.
  - C. Ignore his factory's savings plan.
  - D. Save more than he spends.
  
7. Nina needs to buy her textbooks for college. Instead of getting them from the school bookstore, she finds a way to rent them online for much less money. Nina is
  - A. impulse buying.
  - B. comparison shopping.
  - C. a victim of a scam.
  - D. investing rather than saving.

8. Which of the following is a criterion for evaluating the reliability of a source:
- A. Type of source
  - B. Style
  - C. Timeliness
  - D. Length
9. A premium is the regular \_\_\_\_\_ for an insurance policy.
- A. limit
  - B. underwriter
  - C. cost
  - D. deductible
10. To limit impulse buying, you should shop
- A. while emotional.
  - B. by yourself.
  - C. without a budget.
  - D. with a plan in mind.
11. Though he tries to pay his bills each month, Pete struggles with his payments. This month, for the first time, he won't be able to pay his car payment. What is the first thing he should do?
- A. Do nothing. He hopes he can catch up next month.
  - B. File for bankruptcy.
  - C. Charge his car payment to his credit card.
  - D. Contact the institution that loaned him money for the car.
12. How can a consumer find evidence of fraudulent credit accounts opened in their name?
- A. Review credit reports for the creation of unauthorized credit accounts.
  - B. Obtain their credit score from a credit bureau.
  - C. Review credit card statements for unauthorized activity.
  - D. Contact their credit card company and ask if fraud has been detected.
13. Which of the following is a benefit of the freedom to own private property:
- A. It encourages businesses to be cooperative.
  - B. It allows people to do anything they want to do.
  - C. It encourages people to save and invest.
  - D. It helps limit economic choices.
14. When a manufacturer provides a full warranty with a product, it is the manufacturer's responsibility to
- A. repair only specific parts if they fail to function.
  - B. limit the time that an implied warranty is good.
  - C. refund the purchase price if the product is misused.
  - D. replace or repair a faulty product.

15. Arcadia's credit card interest rate is 3%. Jason's credit card interest rate is 4%. Arcadia makes the minimum payment of \$20 on her card until both the balance of her purchases and the interest are paid off. Jason pays \$40 per month, which is twice his minimum payment of \$20, until both his balance and interest are paid off. Both spend the same amount of money on purchases each year. Will Arcadia or Jason pay off their credit card first and will that person ultimately pay more or less than the other person?
- A. Jason; less
  - B. Arcadia; more
  - C. Jason; more
  - D. Arcadia; less
16. The primary reason that people review their personal credit reports is to
- A. change or update their credit ratings.
  - B. verify that the credit agencies have correct information.
  - C. ensure that they obtain bank loans.
  - D. eliminate the risk of identity theft.
17. Which of the following is an advantage of a coupon-paying bond for investors:
- A. It provides coupons to buy additional bonds at a discount.
  - B. Its market price is always the same as its face value.
  - C. It provides interest payments until the bond matures.
  - D. Its face value increases over time.
18. Entrepreneurs, small-business owners, and managers are alike in some ways, but they are also very different. When comparing and contrasting the three, which of the following is a characteristic of entrepreneurs:
- A. They handle day-to-day tasks to make a vision a reality.
  - B. They look to keep business operations small.
  - C. They typically employ less than 500 employees.
  - D. They work to grow and expand their businesses.
19. When evaluating the validity of a source, you should check the author's
- A. income.
  - B. credentials.
  - C. creativity.
  - D. followers.
20. When monies are withheld from an employee's paycheck to cover taxes and insurance, these funds are the employee's
- A. payroll deductions.
  - B. net pay.
  - C. credit expenses.
  - D. gross earnings.

21. Jen has many goals. She wants to purchase a new car, redecorate her room, and save enough money to buy tickets to see her favorite band. However, she doesn't have the financial resources to make all of this happen right now. Jen needs to \_\_\_\_\_ her goals.
- A. eliminate one of
  - B. rearrange
  - C. forget about
  - D. prioritize
22. Which of the following government agencies was created to ensure the stability of the U.S. banking system:
- A. Internal Revenue Service (IRS)
  - B. Federal Communications Commission (FCC)
  - C. Federal Deposit Insurance Corporation (FDIC)
  - D. Federal Trade Commission (FTC)
23. Which of the following actions is most likely to put you at risk of credit card fraud:
- A. Giving your ATM card to a bank teller
  - B. Traveling to another country
  - C. Carrying your driver's license
  - D. Using an unsecured wireless network
24. Eric goes to the bank for a loan for his small business. He has had three businesses in 10 years—the first two failed. Saanvi also goes to the bank for a loan for her small business, which has been open for 10 years and has had steady success. The banker would probably decide to charge \_\_\_\_\_ a \_\_\_\_\_ interest rate.
- A. both; low
  - B. both; high
  - C. Eric; higher
  - D. Saanvi; higher
25. One of the aims of regulating the insurance industry is to
- A. create challenges for insurance agents.
  - B. make coverage more exclusive.
  - C. raise insurance prices.
  - D. reduce the risk of gaps in coverage.
26. It takes Theodore five years to pay off a loan of \$1,000 with a 3% interest rate per year. What was the total cost of Theodore's loan?
- A. \$1,500
  - B. \$150
  - C. \$11,500
  - D. \$1,150

27. Even though Neil's paycheck came through today, it isn't enough to pay off both his credit card debt and his student loan. To be fiscally responsible and avoid paying as much interest as possible, should Neil pay off his credit card debt or make a student loan payment?
- A. His credit card because student loans typically don't have interest rates
  - B. His student loan because it'll strengthen his credit score more than paying the credit card will
  - C. His credit card because credit cards usually have higher interest rates than student loans
  - D. His student loan because student loans commonly have higher interest rates than credit cards
28. Marianne is looking for a new job. Her friend Ziggy has offered to set up a coffee meeting between Marianne and his mother, who works in the field in which Marianne is interested. However, Marianne isn't sure that the coffee meeting will be worth her time—she is busy and would prefer to spend that time updating her resume. Should Marianne take Ziggy up on his offer?
- A. No; Marianne would hear outdated information because jobs and career fields change quickly.
  - B. Yes; Marianne could tell Ziggy's mother about her own work experience and ask for an interview.
  - C. No; Marianne should focus on developing her resume as the sole strategy for her job search.
  - D. Yes; Marianne could learn more about her preferred career field and any unadvertised openings.
29. One way to obtain reliable and up-to-date information about employment trends in a certain career or field is by
- A. asking retired workers.
  - B. reading older periodicals.
  - C. visiting government websites.
  - D. speaking with a salesperson.
30. Which of the following is one way for a person to identify a tentative career interest:
- A. Locate high-income occupations.
  - B. Ask guidance counselors for suggestions.
  - C. Take ability assessment tests.
  - D. Find out which majors are popular.
31. What is an effective technique for employees to use to extract relevant information from written materials?
- A. Take notes while reading.
  - B. Skim through chapter titles.
  - C. Develop a rough outline.
  - D. Ask frequent questions.
32. What do many individuals establish when planning for future financial needs?
- A. College fund
  - B. Emotional intelligence
  - C. A work history
  - D. Living will
33. JaVaughn wants to borrow \$2,500 to buy a car. Which of the following financial institutions is most likely to lend JaVaughn the money:
- A. Mortgage company
  - B. Retail bank
  - C. Investment bank
  - D. Financial holding company

34. In relation to career success, it is important for individuals to assess their strengths and weaknesses so they can
- A. improve their relationships with friends.
  - B. change their personalities.
  - C. eliminate conflict.
  - D. apply their talents where they are best used.
35. Rasheed is interested in investing in a higher risk mutual fund. What type of mutual fund should he put money into?
- A. Stock fund
  - B. Balanced fund
  - C. Money market fund
  - D. Bond fund
36. Which of the following is an example of a strong password:
- A. Allen28
  - B. Wx4!#kbSeM8n\$
  - C. Passw0rd
  - D. 1234!
37. Hazel started her own childcare network where she connects families to available babysitters at her school. Hazel could be described as a(n)
- A. direct salesperson.
  - B. wholesaler.
  - C. franchiser.
  - D. entrepreneur.
38. Addie is a wedding photographer who goes from job to job as she is hired. She is paid by her clients, but they aren't considered her employers. As a result, Addie is most likely to be responsible for paying \_\_\_\_\_ taxes.
- A. self-employment
  - B. flat
  - C. excise
  - D. sales
39. Individuals often are willing to take the risk of investing because of the
- A. expected return.
  - B. unlimited insurance.
  - C. financial guarantee.
  - D. low interest.
40. Which of the following attitudes/behaviors is most likely to enable you to advance in your career:
- A. Copycat—Dress and act the same as your coworkers at your job level.
  - B. Patient—Wait for your supervisor to indicate that a higher-level job is available in your company.
  - C. Take charge—Set up a plan of what you need to do to achieve your career goals.
  - D. Blatant—Make everyone aware that you plan to run the company one day.

41. Which of the following is an example of a person obtaining unpaid work experience:
- A. Baptiste performs contract work for his friend's new company.
  - B. Sage researches information about different careers.
  - C. Karsyn volunteers at a local radio station.
  - D. Jorah hires Camden to cut his lawn every week.
42. Which of the following factors is a disadvantage of preferred stock:
- A. Less volatile share prices
  - B. Not guaranteed dividends
  - C. Lower long-term growth potential
  - D. Being more likely to lose investment if company goes bankrupt
43. Failing to pay bills on time may result in growing \_\_\_\_\_, which makes it harder to borrow money.
- A. debt
  - B. discounts
  - C. assets
  - D. credit
44. Which of the following best explains how income taxes reduce your net income:
- A. They are subtracted from gross income.
  - B. They are subtracted from net income.
  - C. They are calculated based on net income.
  - D. You must save money to pay for them.
45. Three years ago, Omar made a deposit to a savings account. Each year, Omar has watched as the interest on his initial deposit has grown. He is earning interest on the principal amount *plus* on the interest earned on the principal. In other words, Omar is earning
- A. the present value.
  - B. the inflation value.
  - C. compound interest.
  - D. simple interest.
46. McKenzie purchases insurance that will cover repairs for her home in the event of a disaster or occurrence that damages it. McKenzie has purchased \_\_\_\_\_ coverage.
- A. loss of use
  - B. dwelling
  - C. personal liability
  - D. personal property
47. Which of the following people is most likely an entrepreneur:
- A. Donovan Waltermann, lead chemical engineer
  - B. Charlese Earley, restaurant founder
  - C. Lilah Carson, marketing manager
  - D. Fernando Oliver, auditor and controller

48. Melissa's home was recently damaged by a severe hailstorm. Under her current insurance plan, she is required to pay for the first \$700 in repairs and the insurance company will cover the rest. When Melissa repairs her home, she will be paying her insurance policy's
- A. deductible.
  - B. premium.
  - C. claim.
  - D. exclusion.
49. Individuals with a lower risk tolerance are often associated with the purchase of
- A. stocks and bonds.
  - B. stocks and income funds.
  - C. bonds and bond funds.
  - D. equity funds and bonds.
50. Which of the following is a sign that you may be the victim of identity theft:
- A. You receive telemarketer calls more frequently.
  - B. Bills are sent to you virtually rather than by mail.
  - C. You see certain online ads based on your search history.
  - D. More than one tax return is filed in your name.
51. How does self-understanding help you choose an appropriate career?
- A. By developing your subjectivity
  - B. By identifying your aptitudes and skills
  - C. By helping you understand other people
  - D. By raising your level of self-esteem
52. Why is it important to start early when planning for retirement?
- A. To benefit from the time value of money
  - B. To ensure protections are in place for retirement plans
  - C. To beat inflation rates
  - D. To take advantage of compounded interest
53. What can you do to prevent identity thieves from getting your personal information?
- A. Shred or tear up important financial documents.
  - B. Pay the entire balance on credit cards monthly.
  - C. When borrowing money, insist on a fixed-rate loan.
  - D. Review your credit report every five years.
54. Which of the following sets of characteristics best describes careers in entrepreneurship:
- A. Unpredictable, low-risk
  - B. Routine, predictable
  - C. Innovative, risky, time-intensive
  - D. Expensive, low-energy, relaxed

55. Mina has a \$3,000 investment held for four years in her savings account with 10% interest paid annually. What is the future value of her money?
- A. \$5,100
  - B. \$3,400
  - C. \$3,500
  - D. \$4,200
56. Sheila pays the minimum payment shown on her credit card bill each month. For the remaining amount on the bill, she will be charged a(n)
- A. annual fee.
  - B. overdraft fee.
  - C. annual percentage rate.
  - D. late fee.
57. Which of the following statements describes commercial banks:
- A. They began as home loan institutions.
  - B. They are cooperative financial institutions that are owned by their members.
  - C. They are lenders that offer credit through retailers such as car dealerships.
  - D. They are full-service banking institutions.
58. Which of the following items is most likely to be a short-term savings goal:
- A. Vacation
  - B. Retirement
  - C. House
  - D. Future children's college
59. Alexander's savings account earns 1.50% in interest. Using the Rule of 72, how many years would it take for Alexander's savings to double?
- A. 36 years
  - B. 48 years
  - C. 15 years
  - D. 108 years
60. Financial planning can be described as a way to
- A. stop all impulsive purchases.
  - B. realize what it takes to get the things you really want.
  - C. achieve your professional goals.
  - D. retire with a substantial amount of money in the bank.
61. Why do many financial advisors recommend that you validate your financial credit history annually?
- A. Most universities review your financial credit report before accepting you as a student.
  - B. Information in your credit report can impact how much you pay to borrow money.
  - C. The return on your stock investments is based on your financial credit history.
  - D. Information in your credit report appears in your social networking profiles.

62. Why is it important to have an emergency fund as part of a personal financial plan?
- A. To pay for unexpected expenses
  - B. To pay for large expenses like rent
  - C. To save for a vacation
  - D. To save for college
63. The insurance industry generates the funds needed to pay the claims of policyholders by
- A. investing money from premiums.
  - B. obtaining loans from financial institutions.
  - C. selling related merchandise.
  - D. consolidating stock portfolios.
64. Calista is an investor with a high risk-tolerance seeking high growth. Which of the following represents the most diversified investment approach:
- A. 5 high-growth stocks in different industries
  - B. 15 high-growth stocks within the technology sector
  - C. 5 high-growth stocks in different foreign markets
  - D. 20 high-growth stocks in different industries
65. When looking at a personal budget, which of the following is an example of something that may be included as an expense:
- A. Rent and utilities
  - B. Biweekly paycheck
  - C. Cash birthday gift
  - D. Interest payment in savings account
66. Sam is looking for a form of financial exchange that best fits her needs. She needs something that is mobile, convenient, and instantly tracks transactions. She prefers not to borrow money, so Sam also wants something that is linked to money she already has. What form of financial exchange is best for Sam?
- A. Cash
  - B. Credit card
  - C. Debit card
  - D. Check
67. Joel works as a car mechanic. He is paid the same amount of money each month regardless of the exact number of hours he works. Anna works at a daycare and is paid per hour. In this example, Joel is earning \_\_\_\_\_ and Anna is earning \_\_\_\_\_.
- A. a salary; wages
  - B. dividends; a salary
  - C. interest; wages
  - D. wages; a salary

68. During a recent storm, a tree fell on Raina's car and damaged it. She was glad she had car insurance because it reduced the cost of repairs. This is an example of how car insurance protects you
- A. medically.
  - B. financially.
  - C. legally.
  - D. culturally.
69. Which individual described below is most likely to create financial wealth that will allow them to retire at age 60?
- A. Todd takes the \$500,000 cash value of his accrued investments at age 55 to start a new business.
  - B. Tia has an income level of \$80,000 and starts saving 10% of her yearly income at age 45.
  - C. Jasmine lands a job paying \$50,000 at age 24 and begins saving 5% of her income each year.
  - D. Eamon earns \$30,000 per year, and he begins to save and invest 20% of his income at age 24.
70. One reason why young people participate in internship programs is because the work experience may lead to
- A. on-the-job training.
  - B. continuing education.
  - C. community service.
  - D. full-time positions.
71. One feature that makes bonds unique when compared to stocks is
- A. bond holders own the corporation.
  - B. a guaranteed return on investment.
  - C. different purchase and sale prices.
  - D. a sensitivity to interest rates.
72. Participating in ongoing training and education programs often helps workers
- A. change their work ethics.
  - B. define short-term goals.
  - C. advance in their careers.
  - D. update their resumes.
73. When a business's insurance premiums are high, it is most often because the
- A. security is optimal.
  - B. liability is low.
  - C. threats are minimal.
  - D. risk is high.
74. Which of the following is a true statement about ticker symbols:
- A. They are made up of the first three letters of a company's name.
  - B. They uniquely identify a company.
  - C. They tell you what kind of stock it is.
  - D. They are only given to companies on the New York Stock Exchange.

75. Businesses often consider an employee's knowledge of the job, abilities, and skills when deciding whether to \_\_\_\_\_ the employee.
- A. interview
  - B. promote
  - C. counsel
  - D. evaluate
76. Wages, salaries, commissions, and bonuses are all examples of
- A. nontaxable income.
  - B. standard deductions.
  - C. itemized deductions.
  - D. taxable income.
77. Even though Joseph has worked as an accountant for 20 years, he recently enrolled in a community college course to help him master the new software his department is using. He knows that if he doesn't keep up with current technologies, he could be replaced by a younger worker. This is an example of the importance of \_\_\_\_\_ in the workplace.
- A. mentorship programs
  - B. frequent training
  - C. student loan forgiveness
  - D. ongoing education
78. Which of the following statements accurately describes a difference between saving and investing:
- A. Saving is generally riskier than investing, meaning that you may lose all or some of your money.
  - B. Saving is best used to reach goals in the near future, while investing is best used for longer-term goals.
  - C. A traditional savings account has the potential for higher returns than investments.
  - D. It's easier to access money that is invested than money that is in a traditional savings account.
79. Which of the following is an example of career advancement within a company:
- A. Julia accepted a marketing manager position with GZA International because she became bored with her advertising coordinator position with Drexall Publishing.
  - B. After RQW Technologies offered Dylan a similar management position and 15% salary increase, he resigned as systems manager with TechFi.
  - C. When Jett reached his 25-year anniversary as production manager of Whitman Manufacturing, he decided to retire.
  - D. Audrey was hired as a sales coordinator, was promoted to salesperson, and is now sales manager of CTK Corporation.
80. Which of the following exemplifies the time value of money:
- A. Rachel placed \$250 in a savings account and accumulated \$12.50 in interest.
  - B. Sophie estimated that she uses 78% of her income to pay her bills.
  - C. Harrison paid the government \$1,508 in property taxes last year.
  - D. Matthew decided to purchase a smartwatch from TeleTech.com for \$199.

81. Gale would like to invest in a lower risk mutual fund. What type of mutual fund should he put money into?
- A. Money market fund
  - B. Stock fund
  - C. Hybrid fund
  - D. Equity fund
82. Which of the following is a tool that often helps individuals organize and manage their mortgage, utility, and insurance bills:
- A. Scatter chart
  - B. Credit report
  - C. Daily work calendar
  - D. Monthly payment schedule
83. Sarah crashed her car into another vehicle. Fred, the driver of the other vehicle, was hurt in the crash that Sarah caused. What type of car insurance will assist Sarah in paying medical expenses for Fred?
- A. Property damage liability
  - B. Personal injury liability
  - C. Bodily injury liability insurance
  - D. Uninsured/Underinsured coverage
84. What do open-end investment funds and closed-end investment funds have in common?
- A. They can issue an unlimited number of shares over time.
  - B. They are run by professional portfolio managers.
  - C. They are also known as mutual funds.
  - D. Their pricing is determined by supply and demand.
85. Which of the following is a long-term life goal that people often save money for:
- A. Using an emergency fund
  - B. Budgeting for daily expenses
  - C. Paying utility bills
  - D. Buying a home
86. What is the main purpose of diversifying investments?
- A. To reduce risk
  - B. To increase liquidity
  - C. To avoid penalty fees
  - D. To eliminate income tax
87. When purchasing a durable good, consumers typically consider
- A. whether they can get a discount.
  - B. how appealing the product appears.
  - C. whether their neighbors own the product.
  - D. how long the product will last.

88. On Sheena's first pay stub, she sees that her gross pay is \$150.00, and her net pay is \$125.00. When she cashes her check, she will have \_\_\_\_\_ that she can deposit into her bank account.
- A. \$275.00
  - B. \$25.00
  - C. \$150.00
  - D. \$125.00
89. The single most important aspect of making a financial plan and setting goals is
- A. learning to make hard choices.
  - B. choosing a career path.
  - C. getting started now.
  - D. making enough money.
90. Which of the following is a reason why many businesses offer warranties and guarantees with their products:
- A. To improve the quality of durable goods
  - B. To reassure customers
  - C. To establish standards
  - D. To obey regulations
91. Leonard missed a payment on his personal loan two days ago, and he doesn't expect to have the money to pay it off until he receives his next paycheck in a week. What consequence is Leonard most likely to face in this situation?
- A. His lender will "charge off" his account.
  - B. His account will be considered delinquent.
  - C. He'll be charged a late fee by his lender.
  - D. He will default on his loan.
92. Let's say spending is on the rise, and more people are taking out loans and making large purchases such as houses and vehicles. One reason for this increase in spending could be
- A. increased inflation.
  - B. higher tax rates.
  - C. decrease in demand.
  - D. lowered interest rates.
93. What does diversification by cap size help investors to do?
- A. Update their investment portfolios
  - B. Protect their investments from a negative event
  - C. Avoid buying too many investments in one category
  - D. Spread out the growth rates of their investments
94. Which of the following is most likely to occur if you wait until you are middle-aged to start investing:
- A. You will not be able to retire.
  - B. You will make smarter financial decisions.
  - C. You will not risk your financial security.
  - D. You will avoid credit card debt.

95. Which of the following is often considered one of the safest types of investments:
- A. Precious metals
  - B. Commodities
  - C. Penny stocks
  - D. Government bonds
96. Why is it important for employees to learn occupational skills and also to develop good interpersonal skills?
- A. To prepare for retirement
  - B. To obtain work experience
  - C. To identify a potential industry
  - D. To enhance career progression
97. The purpose of a deductible is to
- A. deter a large volume of insignificant insurance claims.
  - B. diversify an individual's stock portfolio or mutual fund.
  - C. increase the cost of monthly insurance premiums.
  - D. promote open communication between team members.
98. Alyssa wants to save enough money for an emergency fund. She hopes that the fund will help her cover unexpected costs in the event of tragedy or disaster. In this situation, Alyssa should
- A. invest her money in the stock market by buying assets that might increase in value.
  - B. put aside money in a traditional bank account, such as a savings account.
  - C. purchase high-risk stocks that have the potential for great rewards.
  - D. put all her money into a 401(k) and other retirement savings accounts.
99. A lower annual percentage rate (APR) means \_\_\_\_\_ monthly payments.
- A. fluctuating
  - B. lower
  - C. stable
  - D. higher
100. Your annual income, inheritance, and money from the sale of an asset are all considered events that contribute toward
- A. tax loophole.
  - B. untaxable income.
  - C. tax liability.
  - D. sales tax.

## 1. D

Think long term and be realistic about income and expenses. When taking on debt, you need to be honest about whether you will be able to repay the debt. You have to think about whether there are anticipated changes in your income and expenses over the life of the debt that would keep you from repaying it. Impulse buying creates unmanageable debt rather than avoids it. Debt payments must be made in a timely manner. If you anticipate that timely repayment will be a problem, don't consider taking on additional debt. Although cosigners may be needed to obtain a loan, you should understand that both your credit rating and that of the cosigners will be damaged by your late payment.

SOURCE: Managing Credit Grade 8

SOURCE: Fay, B. (2025, May 6). *How to avoid landing in debt*. Retrieved August 18, 2025, from <https://www.debt.org/advice/avoiding-debt/>

## 2. B

Creativity and innovation. There are many characteristics that all successful entrepreneurs share, including creativity and innovation. Not all entrepreneurs are equally strong in these areas, but the important thing is that they realize their weaknesses and work to improve them. Entrepreneurs must be determined, but they don't necessarily have to be aggressive. Optimism is extremely important for entrepreneurs, but risk aversion is not. A successful entrepreneur must be willing to take risks. While organization is an important quality for an entrepreneur to possess, timidity isn't helpful—a successful entrepreneur is confident in their ideas and abilities.

SOURCE: Earning Income Grade 8

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

## 3. A

Pay interest on purchases. Credit is the arrangement by which individuals or businesses can purchase now and pay later. Many types of businesses (e.g., banks, large retailers) offer credit cards to consumers and businesses to purchase goods and services. Usually, the credit card issuer sends the credit card holder a monthly statement. The information on the statement includes a list of the purchases made during the billing cycle and the amount owed for the purchases, which includes the interest charges. If the credit card holder pays the minimum amount due, the amount of interest owed accumulates on the balance due until the debt is paid off. Because interest rates can be high, this can be a disadvantage to the credit card holder. It is important to establish a good credit rating to borrow money in the future from other lenders. Therefore, establishing a credit rating is not necessarily a disadvantage. Credit card holders do not earn quarterly dividends on their credit cards. Temporary deferment of cash payment is an advantage to credit card holders.

SOURCE: Managing Credit Grade 8

SOURCE: Bloomenthal, A. (2024, September 30). *Credit card: What it is, how it works, and how to get one*. Retrieved August 18, 2025, from <https://www.investopedia.com/terms/c/creditcard.asp>

## 4. A

Injuries you cause to someone else in a car accident. Bodily injury liability coverage is included in most typical car insurance policies, as it applies to injuries that you, the policyholder, or the designated driver cause to someone else. If someone is injured during an accident you are at fault for, bodily injury liability coverage will help protect you in case the injured person tries to sue you. Other typical expenses auto insurance covers are an injury to the driver or passengers of the policyholder's car, damage you or someone else causes to someone else's property, damage to your car from a collision, or damage caused from fires, hail, etc. Water leaking from the roof of your garage, personal belongings stolen from your car, and damage to the stereo system you installed in your car are not covered in a typical car insurance policy. Water leaking from the roof of your garage is something that renters or homeowners insurance will cover. Although your personal belongings were in your car, they are not typically covered by a car insurance policy. Personal belongings are considered your personal property, so they would typically be covered in a renters or homeowners insurance policy. To cover a stereo system or another accessory you installed or added to your car, you would most likely need to purchase supplemental coverage.

SOURCE: Managing Risk Grade 8

SOURCE: Hagen, K. (2021, July 3). *5 things your car insurance may not cover*. Retrieved August 18, 2025, from <https://www.fool.com/the-ascent/insurance/auto/articles/5-things-your-car-insurance-may-not-cover/>

## 5. A

Monitor your credit and bank accounts continuously. By reviewing your credit card statements and your bank accounts on a regular basis, you are more likely to detect credit purchases or bank withdrawals that you did not make. If unauthorized transactions have occurred, you can quickly close accounts to stop identity thieves from accessing your accounts. Other things you can do to protect yourself from identity theft are use different passwords for each of your online accounts and use secure websites when paying bills and shopping online. Not all online sites are secure. You should use the same caution with your debit card as you do with your credit accounts and other bank accounts.

SOURCE: Managing Risk Grade 8

SOURCE: Federal Trade Commission. (2024, September). *What to know about identity theft*. Retrieved August 18, 2025, from <https://consumer.ftc.gov/articles/what-know-about-identity-theft>

## 6. D

Save more than he spends. By saving for retirement, he is ensuring that his life post-retirement is about the same standard as pre-retirement. Counting on an inheritance is risky. Investing in his factory's savings plan might be a smart step for Don, especially if the factory will match his contributions. Retiring later than planned will not make his retirement any more secure if Don does not practice wise saving habits now.

SOURCE: Saving Grade 8

SOURCE: Discover. (2025, July 31). *Why is it important to save money? 3 reasons to save money starting today*. Retrieved August 18, 2025, from <https://www.discover.com/online-banking/banking-topics/3-reasons-to-save-more-money/>

## 7. B

Comparison shopping. Comparison shopping involves looking at the prices of various products/services from different vendors before buying. Comparison shopping is a good financial decision because it can help you get the best value for your money. Nina is able to get a better price for her textbooks because she took the time to comparison shop. Nina is not impulse buying, a victim of a scam, or investing rather than saving in this example.

SOURCE: Spending Grade 8

SOURCE: Campbell, J. (2024, July 20). *How to save money with comparison shopping*. Retrieved August 18, 2025, from <https://www.moneymanagement.org/blog/comparison-shopping>

8. C

Timeliness. For certain types of information, it is crucial for the source to be up to date because data are always changing. Length and style are not necessarily indicators of reliability, though depending on the type of source, they may be important. The type of source does not always indicate reliability; many different types of sources are reliable.

SOURCE: Spending Grade 8

SOURCE: Johns Hopkins Sheridan Libraries. (2024, November 15). *Evaluating sources*. Retrieved August 18, 2025, from <https://guides.library.jhu.edu/evaluate/sources>

9. C

Cost. A premium is usually a monthly cost that is charged to an insurance policyholder. A deductible is the amount that the policyholder must pay out of pocket before insurance will pay for a claim. A limit is the amount of money that an insurance company will pay out to a policyholder at one time. An underwriter is a person who calculates the risk of loss, establishes premium rates, and designs policies to cover risk.

SOURCE: Managing Risk Grade 8

SOURCE: Kagan, J. (2025, August 7). *What is insurance?* Retrieved August 18, 2025, from <https://www.investopedia.com/terms/i/insurance.asp>

10. D

With a plan in mind. Impulse buying is the purchase of a good or service on the spot. It means making a purchase without having planned to do so. While occasional off-the-budget purchases are OK, it's important to limit impulse buying before it gets out of control. One way to limit impulse buying is to shop with a plan (or budget) in mind—that way, if you stick to the plan, you reduce your “off-the-plan” or impulse purchases. Other ways to limit impulse buying include shopping with someone else who may hold you accountable for your purchase decisions, and taking care to not shop while emotional, as our emotions can cause us to make impulsive spending decisions.

SOURCE: Spending Grade 8

SOURCE: Cruze, R. (2024, September 18). *Impulse buying: What it is and how to stop*. Retrieved August 18, 2025, from <https://www.ramseysolutions.com/budgeting/stop-impulse-buys>

11. D

Contact the institution that loaned him money for the car. Financial institutions will often assist borrowers by creating more manageable payment options. It is in the institution's best interest that the borrower pays back the loan in some manner. Doing nothing costs him more in interest and charges, and may also decrease his credit score. Charging the payment to his credit card simply moves a debt to another lender, and oftentimes one that charges higher interest than the original lender. Shuffling payments will not solve the problem in the long term. Bankruptcy is the last resort for those who cannot pay their bills. It should only be pursued after other options (such as restructured payment plans) have been explored.

SOURCE: Managing Credit Grade 8

SOURCE: Federal Trade Commission. (n.d.). *How to get out of debt*. Retrieved August 18, 2025, from <https://consumer.ftc.gov/articles/how-get-out-debt>

12. A

Review credit reports for the creation of unauthorized credit accounts. Since credit reports contain all of a consumer's credit activity, they can reveal any unauthorized use of credit. Credit scores are not immediately impacted by fraudulent activity since they are only updated once every 30 days. Credit card statements and credit card companies can only provide information about transactions made with them.

SOURCE: Managing Credit Grade 8

SOURCE: Cleary, B. (2023, September 6). *What is a credit report? + What's on it & why it matters*. Retrieved August 18, 2025, from <https://lifelock.norton.com/learn/credit-finance/what-is-credit-report>

13. C

It encourages people to save and invest. When people are free to own things they value, they tend to save and invest. Individuals and businesses benefit because they are free to decide how to use their private property and when and how to sell it. Society benefits because people pay taxes on their savings and investment income, and this provides the money needed to pay for public services, such as schools and highway construction. Our own choices limit us. If we choose to buy one thing, we may not have enough money to buy another. Freedom to own private property does not ensure cooperation among businesses. Although people in a private enterprise system have a great deal of economic freedom, they aren't allowed to do anything they want to do.

SOURCE: Saving Grade 8

SOURCE: LAP-EC-909—People Power (The Private Enterprise System)

14. D

Replace or repair a faulty product. A warranty is a promise made by the seller to the consumer that the seller will repair or replace a product that does not perform as expected. A full warranty provides that if the product does not work properly, is defective, or does not live up to the warranty, it must be made good within a reasonable amount of time. The company providing the warranty may not put time limits on any implied warranties the product may have. A limited warranty would only cover specific parts rather than the whole product. Most warranties state that improper use or handling of the product will void the warranty.

SOURCE: Spending Grade 8

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

15. A

Jason; less. Jason pays double his minimum payment so he pays off his loan more quickly and accrues less interest. Arcadia makes the minimum payment so it takes her longer to pay off the balance of her card. She will have a higher running balance and, therefore, be charged more interest, which will take longer to pay off.

SOURCE: Managing Credit Grade 8

SOURCE: Investopedia. (2024, October 3). *Understanding credit card interest*. Retrieved August 18, 2025, from <https://www.investopedia.com/articles/01/061301.asp>

16. B

Verify that the credit agencies have correct information. Credit is the arrangement by which individuals or businesses can purchase now and pay later. A credit agency is a business that maintains files of credit information on individuals and businesses. It is important to make sure that credit agencies have accurate information about your credit history because other businesses purchase the reports to make decisions about extending credit to you or providing a loan to you. Although people can provide information to improve their credit ratings, it is the credit agencies that change or update the information. Good credit reports can increase the chances of obtaining a bank loan, but reviewing the reports cannot ensure that people obtain bank loans. People who monitor their credit reports can reduce the risk of identity theft, but cannot eliminate the risk.

SOURCE: Managing Credit Grade 8

SOURCE: Cleary, B. (2023, September 6). *What is a credit report? + What's on it & why it matters*. Retrieved August 18, 2025, from <https://lifelock.norton.com/learn/credit-finance/what-is-credit-report>

17. C

It provides interest payments until the bond matures. Coupon-paying bonds provide the bondholder interest payments until the bond reaches maturity. Coupons are not issued to buy bonds at a discount. A bond's face value (representing the amount of principal the bondholder will receive upon maturity) remains the same from the day it is issued until it reaches maturity. A bond's market price changes in relationship to marketplace forces trading lower or higher than its face value.

SOURCE: Investing Grade 8

SOURCE: Jark, D. (2025, January 28). *Types of bonds and how they work*. Retrieved August 18, 2025, from <https://www.investopedia.com/financial-edge/0312/the-basics-of-bonds.aspx>

18. D

They work to grow and expand their businesses. An entrepreneur is an individual who identifies an opportunity to create new value, develops and offers a unique product, assumes the risks of starting and building a business, focuses on the improvement and growth of that business, and receives personal and financial rewards for their efforts. Entrepreneurs work to grow and expand their businesses, while small-business owners are generally content to keep their business operations small and employ less than 500 employees. Small-business owners own a business venture to generate income without intentions of growing or expanding the business. Managers are responsible for planning, organizing, staffing, directing, and controlling the work of others in a systematic way. Managers handle day-to-day tasks to make entrepreneurs' visions a reality.

SOURCE: Earning Income Grade 8

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

19. B

Credentials. Credentials refer to information about a person's skills, abilities, and qualifications. While it's possible for anyone to post something online, that doesn't necessarily mean they are qualified to do so. To determine the validity of a source, you should verify the author's credentials to be sure they are qualified to write about a certain topic. An author's income, followers (such as on social media), and creativity are not necessarily indications of an author's qualifications and a source's validity.

SOURCE: Spending Grade 8

SOURCE: Stanford University. (2025, August 13). *Checking your sources*. Retrieved August 18, 2025, from <https://guides.law.stanford.edu/c.php?g=1255722&p=9200578>

20. A

Payroll deductions. Payroll deductions are monies that an employer withholds from an employee's gross earnings. A large portion of the deductions is the various income taxes, which the employer pays to the government on behalf of the employee. Other deductions might include health insurance premiums, voluntary savings, and child support payments. Gross earnings are the employee's wages before the deductions are calculated. Net pay is the amount the employee receives in their paycheck after the deductions have been subtracted from the gross earnings. Credit expenses are loan balances on credit cards.

SOURCE: Earning Income Grade 8

SOURCE: SurePayroll. (2025, July 2). *Payroll deductions*. Retrieved August 18, 2025, from <https://www.surepayroll.com/resources/terminology/payroll/payroll-deductions>

21. D

Prioritize. Prioritizing means determining the order of completion based on their importance. Because Jen doesn't have the money to make all of her goals happen right now, she needs to determine which to focus on first and in which order the other goals will follow. Jen does not yet have an order to achieve her goals, so rearranging them will not help. Eliminating one of her goals might not solve her dilemma and could be important enough that the elimination is not wise. Forgetting about her goals is also not a responsible decision. Just because Jen doesn't have the money now doesn't mean she never will—with smart goal setting, she can reach all of her goals in time.

SOURCE: Spending Grade 8

SOURCE: Huffstetler, E. (2019, January 21). *This financial goals worksheet will keep you on track*. Retrieved August 18, 2025, from <https://www.liveabout.com/how-to-set-financial-goals-1388522>

22. C

Federal Deposit Insurance Corporation (FDIC). The Federal Deposit Insurance Corporation (FDIC) is a government agency created to ensure the stability of the U.S. banking system. Congress created the FDIC in 1933, during the Great Depression, to restore confidence in the country's financial system and protect individual depositors in the event of bank failures. The Federal Communications Commission (FCC) is a government agency that regulates interstate and international communications by radio, television, wire, satellite, and cable. The Federal Trade Commission (FTC) is a government regulatory agency that administers and enforces antitrust laws to prevent price fixing and to prohibit unfair competitive practices. The Internal Revenue Service (IRS) is a federal agency that collects taxes and enforces tax law.

SOURCE: Saving Grade 8

SOURCE: Federal Deposit Insurance Corporation. (n.d.). *About the FDIC*. Retrieved August 18, 2025, from <https://www.fdic.gov/about>

23. D

Using an unsecured wireless network. Unsecured wireless connections make it easier for hackers to access other devices on the same network, which could allow them to steal credit card information. Giving your ATM card to a bank teller should not put you at risk of credit card fraud, because bank tellers generally should be trusted not to steal customer information. Traveling to another country does not necessarily put you at risk of credit card fraud, though it is a good idea to be cautious when traveling. Finally, carrying your driver's license does not necessarily relate to credit card fraud.

SOURCE: Managing Risk Grade 8

SOURCE: Mancini, J. (2019, December 12). *Can my credit card information be stolen in public Wi-Fi areas?* Retrieved August 18, 2025, from <https://pocketsense.com/can-credit-card-information-stolen-public-wifi-areas-19208.html>

24. C

Eric; higher. Eric has a worse record than Saanvi in terms of success in business, so he would receive a higher rate on his loan because he is a riskier investment for the bank. Saanvi is a more solid investment, so she would receive a lower interest rate. The bank would not charge Saanvi a high interest rate because she is a solid investment. The bank would also not charge Eric a low interest rate because of the risk associated with the repayment of his loan.

SOURCE: Managing Credit Grade 8

SOURCE: Waugh, E. (2022, October 3). *What factors do lenders consider when determining my interest rate?* Retrieved August 18, 2025, from <https://www.experian.com/blogs/ask-experian/what-factors-do-lenders-consider-when-determining-my-interest-rate/>

25. D

Reduce the risk of gaps in coverage. Governments regulate the insurance industry to make sure that insurance companies do not have major gaps in coverage. When there are gaps in coverage, consumers are at much greater financial risk. Raising insurance prices, creating challenges for insurance agents, and making coverage more exclusive are not aims of regulating the insurance industry.

SOURCE: Managing Risk Grade 8

SOURCE: Haar, D. (2024, May 8). *What are the three main reasons for insurance regulation?* Retrieved August 18, 2025, from <https://3hcg.com/blog/what-are-the-three-main-reasons-for-insurance-regulation>

26. D

\$1,150. The total cost of a loan is the principal (amount of money being borrowed) plus the amount of interest accrued during the time it takes to pay back the loan. The amount of interest a loan accrues is calculated by multiplying the principal times the interest rate ( $\$1,000 \times 3\%$  [or 0.03] = \$30) times the length of time for which the loan is made ( $\$30 \times 5$  years = \$150). So, Theodore paid \$150 on top of his principal. The interest plus the principal is \$1,150 ( $\$150 + \$1,000 = \$1,150$ ), the total cost of the loan.

SOURCE: Managing Credit Grade 8

SOURCE: Ceizyk, D. (2025, May 16). *How to calculate loan payments and costs.* Retrieved August 18, 2025, from <https://www.bankrate.com/loans/personal-loans/how-to-calculate-loan-payments/#work>

27. C

His credit card because credit cards usually have higher interest rates than student loans. In this scenario, Neil should pay off his credit card debt first because interest rates on credit cards are higher than on loans. Although student loans typically have interest rates, they are not as high as the interest rates for credit cards. If Neil prioritizes paying off his credit card, he'll save money on interest and potentially improve his credit score. Paying down credit card debt decreases credit utilization, which is one of the biggest contributing factors to credit scores. Although paying loans on time will also strengthen Neil's credit, it won't strengthen it as much as paying down his credit card debt.

SOURCE: Managing Credit Grade 8

SOURCE: McGurran, B. (2023, July 7). *Should I pay off credit card or loan debt first?* Retrieved August 18, 2025, from <https://www.experian.com/blogs/ask-experian/should-i-pay-off-credit-card-or-loan-debt-first/>

28. D

Yes; Marianne could learn more about her preferred career field and any unadvertised openings. Discussing career opportunities with workers who are employed in jobs or fields in which you are interested has many benefits. For example, speaking with Ziggy's mother would give Marianne a better idea of what it is like to work in that field and an insight into potential jobs in the field, even if they aren't available yet to the public. It would be inappropriate for Marianne to use this opportunity to talk about herself and request an interview. Many career fields are changing, but that doesn't mean that Ziggy's mother wouldn't have valuable insight. Resumes are important in a job search, but they should not be the only tool job seekers use.

SOURCE: Earning Income Grade 8

SOURCE: Herrity, J. (2025, March 26). *How to explore your career options*. Retrieved August 18, 2025, from <https://www.indeed.com/career-advice/finding-a-job/career-exploration>

29. C

Visiting government websites. Governments often post information on their websites about employment and occupation trends. For example, the U.S. government posts the Occupational Outlook Handbook online, which provides information about employment trends in the United States. This information includes salary ranges, the number of workers currently working in a particular field, job responsibilities, employment outlook, etc. The Canadian government also posts employment trends in Canada (Job Futures). Old periodicals, retired workers, and salespeople would not have up-to-date information about a large number of industries, fields, and career options.

SOURCE: Earning Income Grade 8

SOURCE: U.S. Bureau of Labor Statistics. (n.d.). *Occupational outlook handbook*. Retrieved August 18, 2025, from <https://www.bls.gov/ooh/>

30. C

Take ability assessment tests. Ability assessment tests help individuals to identify their skills and their capacity to perform certain tasks. These tests will help them to decide what type of career would be of interest to them based on their skills. For example, a person with good communication skills might be interested in a career in sales or marketing. People cannot identify tentative career interests by finding out which majors are popular or by locating high-income occupations. Counselors may be able to suggest specific occupations based on the results of an ability assessment test.

SOURCE: Earning Income Grade 8

SOURCE: Gentile, V. (2025). *11 free career aptitude tests to help match you with a fulfilling job*. Retrieved August 18, 2025, from <https://www.monster.com/career-advice/article/best-free-career-assessment-tools>

31. A

Take notes while reading. Employees often are expected to read a wide variety of materials to obtain information that they can use on the job or to help the company. Some of this material may be complex, technical, and difficult to understand. To extract relevant information effectively, it is often useful to take notes while reading. Jotting down key points or summarizing helps employees focus on the information and remember it. It may not be possible to ask frequent questions when reading. Outlines are developed before writing begins. Skimming through chapter titles is not an effective way to extract information.

SOURCE: Spending Grade 8

SOURCE: The Learning Center, University of North Carolina at Chapel Hill. (2025). *Taking notes while reading*. Retrieved August 18, 2025, from <https://learningcenter.unc.edu/tips-and-tools/taking-notes-while-reading/>

32. A

College fund. In many cases, paying for college is a future financial need for which many individuals and married couples plan. To make sure sufficient money will be available to pay for college, individuals often establish a college fund. This may be set up with a bank or an investment company. People often set aside a certain amount to invest on a monthly basis so the fund will have a certain value by the time it is needed to pay college expenses. A living will involves a person's wishes concerning medical issues. A work history is a list of jobs a person has had during their life. Emotional intelligence is the ability to recognize and manage emotions in ourselves and others.

SOURCE: Saving Grade 8

SOURCE: Fidelity. (2025). *529 savings plans*. Retrieved August 18, 2025, from <https://www.fidelity.com/529-plans/overview>

33. B

Retail bank. Retail banks offer a variety of services for consumers, including checking and savings accounts, credit cards, and car loans. An investment bank is a financial intermediary that underwrites securities and facilitates mergers. Mortgage companies process loans specifically designed for the purchase of real estate—land, residences, and other types of buildings. Financial holding companies own one or more commercial banks or investment banks.

SOURCE: Managing Credit Grade 8

SOURCE: Majaski, C. (2023, May 18). *Retail banking vs. corporate banking: What's the difference?* Retrieved August 18, 2025, from <https://www.investopedia.com/articles/general/071213/retail-banking-vs-commercial-banking.asp>

34. D

Apply their talents where they are best used. People who use their talents are more likely to succeed in their careers. To know what their talents are, individuals must determine their personal strengths and weaknesses. For example, a very artistic person is probably going to be happier and more successful as a graphic artist than if they were to work as an accountant, which involves working with a lot of numerical data. While it is important for people to try to improve weaknesses (e.g., procrastination), this does not mean that they change their personalities. Improving relationships with friends is a personal goal rather than one that will help a person succeed in their career. Everyone experiences conflict at some time, and it cannot be eliminated.

SOURCE: Earning Income Grade 8

SOURCE: LAP-EI-902—Assess for Success (Assessing Personal Strengths and Weaknesses)

35. A

Stock fund. A stock fund, also known as an equity fund, is a pool of shareholders' money invested in different types of stocks. Because stock markets can be volatile, stock funds also carry greater risk. A bond fund is a pool of shareholders' money invested in bonds. A bond fund is generally more stable than a stock fund. A money market fund is a pool of shareholders' money that is invested in securities over a short amount of time. They are low risk because of the short time frame. A balanced fund, which is a mixture of stocks and bonds, is lower risk because of the diversification of the fund.

SOURCE: Investing Grade 8

SOURCE: Donovan, W. (2021, December 15). *The 4 types of mutual funds*. Retrieved August 18, 2025, from <https://www.thebalancemoney.com/the-three-general-types-of-mutual-funds-3025628>

36. B

Wx4!#kbSeM8n\$. Wx4!#kbSeM8n\$ is a strong password because it is not a normal word and has numerous special characters. Passw0rd is too close to the word "Password" and is very common. Allen28 is too normal and does not have any special characters. 1234! is too commonly used, even with the addition of the exclamation mark.

SOURCE: Managing Risk Grade 8

SOURCE: Cybersecurity & Infrastructure Security Agency. (n.d.). *Use strong passwords*. Retrieved August 18, 2025, from <https://www.cisa.gov/secure-our-world/use-strong-passwords>

37. D

Entrepreneur. An entrepreneur is anyone who creates, launches, organizes, and manages a new business and takes on the risk of that business. Hazel is an entrepreneur because she created and launched a new childcare business where she is accountable for risk. A franchiser is the owner of a business who gives the rights to operate a branch of that business to someone else in exchange for a fee and profits. A wholesaler is a merchant who sells to other businesses for resale or business use. A direct salesperson is someone who sells a product directly to customers.

SOURCE: Earning Income Grade 8

SOURCE: Hayes, A. (2024, October 3). *Entrepreneur: What it means to be one and how to get started*. Retrieved August 18, 2025, from <https://www.investopedia.com/terms/e/entrepreneur.asp>

38. A

Self-employment. Addie is responsible for paying self-employment taxes—money that a self-employed person must pay to the federal government and that is the equivalent of a business's payroll tax. Addie's clients won't withhold any taxes from her earnings, so she must pay the entire amount of her payroll taxes. Flat taxes are taxes under which the same rate applies to everyone. Excise taxes are indirect taxes charged on specific goods, such as gasoline and alcohol. Sales taxes are taxes collected from consumers at the point of purchase and are usually a percentage of the total sale.

SOURCE: Earning Income Grade 8

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

39. A

Expected return. Risk is the possibility of loss. When individuals invest, they take the risk that the investment will not be successful. However, individuals often are willing to take that risk because of the expected return, or what they hope to receive. For example, the possibility of making a lot of money on an investment, also known as the return, is what motivates individuals to take the risk of investing. There are no financial guarantees or insurance associated with investing. Individuals risk investing because they hope to earn high interest rather than low interest.

SOURCE: Investing Grade 8

SOURCE: Chen, J. (2025, July 9). *Risk-return tradeoff: How the investment principle works*. Retrieved August 18, 2025, from <https://www.investopedia.com/terms/r/riskreturntradeoff.asp>

40. C

Take charge—Set up a plan of what you need to do to achieve your career goals. Your plan of action tells you what steps you need to take to achieve your goals. By sticking to your plan, you are more likely to advance in your career. Rather than copying the dress and actions of coworkers at your job level, you should model yourself after an employee who is two or three levels above your position. Although patience is said to be a virtue, it can also hinder your career progression if you wait to be told that positions have opened up. Making everyone aware that you plan to run the company one day can be viewed as obnoxious behavior by coworkers. This, too, will impede your career advancement.

SOURCE: Earning Income Grade 8

SOURCE: Glassdoor. (2021, March 31). *How to advance your career with these top tips*. Retrieved August 18, 2025, from <https://www.glassdoor.com/blog/guide/how-to-advance-your-career/>

41. C

Karsyn volunteers at a local radio station. One way to obtain work experience is by volunteering. Volunteer work involves donating time without pay to complete tasks or projects. By volunteering at the radio station, Karsyn can gain insight about a potential career interest, and she gains experience that might help her obtain a paying position in radio in the future. Hiring someone to cut the lawn or perform contract work involves payment. Researching careers might provide Sage with insight, but this activity won't provide them with on-the-job experience.

SOURCE: Earning Income Grade 8

SOURCE: Walden University. (2025). *How strategic volunteering can positively impact your career*. Retrieved August 18, 2025, from <https://www.waldenu.edu/resource/how-strategic-volunteering-can-positively-impact-your-career>

42. C

Lower long-term growth potential. Disadvantages of preferred stock include lower long-term growth potential and no voting rights. Disadvantages of common stock include not guaranteed dividends, more volatile stock prices, and being more likely to lose your investment if the company goes bankrupt. Advantages of preferred stock include less volatile share prices and being more likely to recover some of your investment if the company goes bankrupt.

SOURCE: Investing Grade 8

SOURCE: O'Shea, A. (2025, February 24). *6 types of stocks you should know*. Retrieved August 28, 2025, from <https://www.nerdwallet.com/article/investing/types-of-stocks>

43. A

Debt. Debt is the money owed by a business or individual to others. If someone does not pay money back to the person they borrowed from, they are indebted to that person. This debt could appear on a credit report and cause potential borrowing problems. A discount is a deduction from the price of goods. Credit is the arrangement by which businesses or individuals can purchase now and pay later. Assets are anything of value that a business or individual owns.

SOURCE: Managing Credit Grade 8

SOURCE: Irby, L. (2022, March 18). *12 possible reasons your credit card application was denied*. Retrieved August 18, 2025, from <https://www.thebalancemoney.com/denied-credit-card-application-960247>

44. A

They are subtracted from gross income. Your gross income represents all the income provided by your employer. When taxes are subtracted from gross income, your net income is reduced. Net income refers to the amount of earnings left after all taxes and deductions have been subtracted. Taxes are calculated on taxable income.

SOURCE: Earning Income Grade 8

SOURCE: Kagan, J. (2024, June 24). *What is income tax and how are different types calculated?* Retrieved August 18, 2025, from <https://www.investopedia.com/terms/i/incometax.asp>

45. C

Compound interest. Compound interest is often referred to as "interest on interest." In this example, Omar is earning compound interest on his original deposit because he is earning interest on the principle *plus* interest on that interest. If Omar was earning simple interest, he would only be earning interest on the principle amount. The present value of money is what money is worth at any given time. Inflation is a rise in the prices of consumer goods and services over a period of time. The present value of money and inflation rates are not demonstrated in this example.

SOURCE: Saving Grade 8

SOURCE: Fernando, J. (2025, June 14). *The power of compound interest: Calculations and examples.* Retrieved August 18, 2025, from <https://www.investopedia.com/terms/c/compoundinterest.asp>

46. B

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

SOURCE: Managing Risk Grade 8

SOURCE: Travelers. (2025). *Home insurance coverage.* Retrieved August 18, 2025, from <https://www.travelers.com/home-insurance/coverage>

47. B

Charlese Earley, restaurant founder. An entrepreneur is someone who identifies an opportunity to create new value, develops and offers a unique product, assumes the risks of starting and building a business, focuses on the improvement and growth of that business, and receives personal and financial rewards for their efforts. Charlese Earley is the founder of a restaurant, which involves developing a product, assuming risk, building a business, and receiving rewards for her effort. A marketing manager, a lead chemical engineer, and an auditor and controller are less likely to be entrepreneurs than a restaurant founder.

SOURCE: Earning Income Grade 8

SOURCE: Hayes, A. (2024, October 3). *Entrepreneur: What it means to be one and how to get started.* Retrieved August 18, 2025, from <https://www.investopedia.com/terms/e/entrepreneur.asp>

48. A

Deductible. A deductible is the amount that an individual has to pay if they make a claim on their insurance policy. When Melissa makes a claim on her homeowner's insurance policy, she will be required to pay \$700 out of pocket before the insurance company will cover the remainder of the claim. She will not be paying her insurance policy's premium—her premium is the amount that she pays every month to retain her insurance coverage. A claim is a formal request to an insurance company asking for a payment. Melissa will be filing a claim, not paying one. An insurance exclusion is a provision within an insurance plan that eliminates coverage for a specific situation.

SOURCE: Managing Risk Grade 8

SOURCE: Allstate. (2024, June). *What's a deductible and how does it work?* Retrieved August 18, 2025, from <https://www.allstate.com/resources/what-is-a-deductible>

49. C

Bonds and bond funds. Risk tolerance is a measure of the degree of risk that an investor is willing to endure. Risk tolerance often determines the types and number of investments an individual chooses. Individuals with a lower risk tolerance are often associated with the purchase of bonds, bond funds, and income funds because they are low risk. In particular, bonds offer a guaranteed return for the individual, while stocks do not. The purchase of stocks and equity funds are often associated with individuals with higher risk tolerance.

SOURCE: Investing Grade 8

SOURCE: Twin, A. (2025, June 19). *What is risk tolerance, and why does it matter?* Retrieved August 18, 2025, from <https://www.investopedia.com/terms/r/risktolerance.asp>

50. D

More than one tax return is filed in your name. If you are notified that multiple tax returns have been filed in your name, this is likely due to identity theft. If an identity thief is able to access key personal information—such as a social security number—they may attempt to file tax returns in your name. Bills being sent virtually are not usually indicative of identity theft—they are a common form of receiving and paying one's bills. They may be intrusive, but telemarketer calls do not typically correlate to identity theft. Companies do collect data from potential customers in order to tailor online ads toward their search history and potential histories. However, this does not constitute identity theft.

SOURCE: Managing Risk Grade 8

SOURCE: Federal Trade Commission. (n.d.). *Warning signs of identity theft.* Retrieved August 18, 2025, from <https://www.identitytheft.gov/Warning-Signs-of-Identity-Theft>

51. B

By identifying your aptitudes and skills. Self-understanding requires you to identify your abilities, aptitudes, skills, and interests. This information helps you choose a career that would put those characteristics to good use. Self-understanding does help you understand others, and it may raise your level of self-esteem, but those factors are not related to choosing a career. Self-understanding helps you develop your objectivity about yourself, not your subjectivity.

SOURCE: Earning Income Grade 8

SOURCE: Columbia University Center for Career Education. (2025). *Self-exploration.* Retrieved August 18, 2025, from <https://www.careereducation.columbia.edu/resources/self-exploration>

52. D

To take advantage of compounded interest. By starting early, you give your money time to grow by earning interest on interest that is added to the principal. Starting early does not help a person beat inflation rates if the investments chosen accrue less interest than the rate of inflation. The time value of money indicates that today's dollar is worth more than that same dollar a year from now due to inflation rates. Therefore, the time value of money is not a benefit for retirement planning. Starting early will not ensure that protections are in place for retirement plans. One such protection is diversification of investments.

SOURCE: Saving Grade 8

SOURCE: Richmond, S. (2023, December 19). *Why save for retirement in your 20s?* Retrieved August 18, 2025, from <https://www.investopedia.com/articles/personal-finance/040315/why-save-retirement-your-20s.asp>

53. A

Shred or tear up important financial documents. To prevent identity thieves from getting your personal information, you should always shred or tear up important financial documents before you dispose of them. These documents might include credit card statements, credit offers, expired credit cards, bank statements, etc. You should review your credit report at least once a year (not every five years) to verify your accounts and account balances. While paying the entire balance on your credit cards monthly and insisting on a fixed-rate loan when borrowing money are wise financial decisions, they do not necessarily prevent identity thieves from getting your personal information.

SOURCE: Managing Risk Grade 8

SOURCE: A1 Shredding & Recycling. (2025, February 27). *What financial documents should be shredded?* Retrieved August 18, 2025, from <https://www.a1shreds.com/about-us/blog/what-financial-documents-to-shred/>

54. C

Innovative, risky, time-intensive. Starting and maintaining a business is no easy task. Entrepreneurs must be hardworking, passionate, innovative, and willing to take risks for their companies. Entrepreneurship is inherently risky, time-intensive, expensive, and dynamic. A career in entrepreneurship promises to be unpredictable and nonroutine, since starting a business requires engaging in a variety of different activities. Entrepreneurship is not low-risk, predictable, low-energy, relaxed, or routine.

SOURCE: Earning Income Grade 8

SOURCE: Mascali, M. (2025). *Adopting characteristics of an entrepreneur in your day job.* Retrieved August 18, 2025, from <https://www.monster.com/career-advice/article/entrepreneur-traits>

55. D

\$4,200. Future value refers to the value of a current asset at some point in the future. The formula for future value is:  $\text{Future value} = \text{Investment amount} \times (1 + [\text{Interest rate} \times \text{Number of years}])$ . In this scenario, the investment amount is \$3,000, the interest rate is 10% (or 0.10), and the number of years is four. When inserted into the formula, you get:  $\text{Future value} = \$3,000 \times (1 + (0.10 \times 4)) = \$3,000 \times (1 + 0.4) = \$3,000 \times 1.4 = \$4,200$ .

SOURCE: Investing Grade 8

SOURCE: Chen, J. (2024, July 19). *How to use the future value formula.* Retrieved August 18, 2025, from <https://www.investopedia.com/terms/f/futurevalue.asp>

56. C

Annual percentage rate. The annual percentage rate (APR) is the interest paid on the portion of the bill Sheila does not pay each month. An annual fee is a once-a-year payment made to the credit card company that permits the person to use the company's credit card. A late fee is issued when a person does not submit any payment at all by the monthly due date. An overdraft fee is charged by a bank when a customer writes a check for more money than is in their checking account.

SOURCE: Managing Credit Grade 8

SOURCE: Fernando, J. (2025, August 13). *Annual percentage rate (APR): Definition, calculation, and comparison*. Retrieved August 18, 2025, from <https://www.investopedia.com/terms/a/apr.asp>

57. D

They are full-service banking institutions. Commercial banks are full-service banks that offer a variety of credit services, including secured and unsecured loans, installment credit, and bank credit cards. Savings and loan associations began as home loan institutions. Credit unions are cooperative financial institutions that are owned by their members. Sales finance companies offer credit through retailers such as car dealerships.

SOURCE: Saving Grade 8

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

58. A

Vacation. Short-term savings goals are ones that you hope to achieve in less than a year. In most cases, people save money for less than a year to pay for their vacations. Long-term financial goals, such as retirement, your children's college education, and home ownership, typically take more than a year to achieve or purchase.

SOURCE: Saving Grade 8

SOURCE: Schwahn, L. (2025, May 19). *How to budget for short-term and long-term financial goals*. Retrieved August 18, 2025, from <https://www.nerdwallet.com/article/finance/short-vs-long-term-goals>

59. B

48 years. The Rule of 72 can be used to determine how long it will take to double money that is saved or invested. To calculate how long it will take to double the money, divide 72 by the interest rate ( $72 / 1.50 = 48$ ). It will take 48 years for Alexander's savings to double.

SOURCE: Saving Grade 8

SOURCE: LAP-QS-030—Supersize Your Money (Need to Save and Invest)

60. B

Realize what it takes to get the things you really want. Financial planning is a good way to realize what it takes to get the things you really want. It is not a method for stopping all impulsive purchases nor is it a way to achieve your professional goals. Even the best financial planning can't guarantee you'll retire with a substantial amount of money in the bank.

SOURCE: Spending Grade 8

SOURCE: Manning, L. (2025, June 15). *Financial planning: What it is and how to make a plan*. Retrieved August 18, 2025, from [https://www.investopedia.com/terms/f/financial\\_plan.asp](https://www.investopedia.com/terms/f/financial_plan.asp)

61. B

Information in your credit report can impact how much you pay to borrow money. Many financial advisors recommend that you validate your financial credit history annually for several reasons. First of all, information in your credit report can impact whether you get a loan as well as how much you pay to borrow money. Secondly, you should review your credit report annually to ensure that information that appears in the report is correct, complete, and current. Thirdly, by reviewing your credit report, you can ensure that you are not the victim of identity theft. Your financial credit history does not impact your return on stock investment nor appear in your social networking profiles. Although many employers review your financial credit report before hiring you, most universities do not review your credit history before accepting you as a student.

SOURCE: Managing Credit Grade 8

SOURCE: Federal Trade Commission. (n.d.). *Disputing errors on your credit reports*. Retrieved August 18, 2025, from <https://consumer.ftc.gov/articles/disputing-errors-your-credit-reports>

62. A

To pay for unexpected expenses. Experts recommend that people have an emergency fund as part of a personal financial plan to pay for unexpected expenses such as car repairs or medical bills. A personal financial plan should also include a budget to plan and pay for monthly expenses such as rent. Vacations and college are planned purchases, not unexpected expenses to be paid for out of an emergency fund.

SOURCE: Saving Grade 8

SOURCE: Ponciano, J. (2025, April 2). *How to set financial goals for your future*. Retrieved August 18, 2025, from <https://www.investopedia.com/articles/personal-finance/100516/setting-financial-goals/>

63. A

Investing money from premiums. The insurance industry pays for specified losses incurred by policyholders in return for installment payments known as premiums. The industry invests the money from these premiums to generate the funds it will need to pay for those losses or claims. Policyholders pay premiums to obtain insurance protection and the industry provides the protection by investing the premiums. The insurance industry does not generate funds by obtaining loans from financial institutions, consolidating stock portfolios, or selling related merchandise.

SOURCE: Managing Risk Grade 8

SOURCE: Beers, B. (2023, May 16). *A brief overview of the insurance sector*. Retrieved August 18, 2025, from <https://www.investopedia.com/ask/answers/051915/how-does-insurance-sector-work.asp>

64. D

20 high-growth stocks in different industries. Choosing 20 stocks in different industries is the most diversified approach since the risk is spread across many different types of companies and markets. A stock portfolio containing 5 stocks lacks diversification since the number of investments is quite small. A portfolio with 15 stocks within a single industry, such as technology, lacks diversity because it only gains exposure to one type of market.

SOURCE: Investing Grade 8

SOURCE: McWhinney, J. (2024, December 27). *Ways to achieve investment portfolio diversification*. Retrieved August 18, 2025, from <https://www.investopedia.com/articles/basics/05/diversification.asp>

65. A

Rent and utilities. A budget is an estimate of income and expenses for a specific period of time. Income is money received by a business or an individual from outside sources, while an expense is money that a business or individual spends. Rent and utilities are money that a business or individual spends. Biweekly paychecks, interest payments in savings accounts, and a cash birthday gift are all examples of potential incomes that could be included on a budget.

SOURCE: Spending Grade 8

SOURCE: Ganti, A. (2025, May 7). *What is a budget? Plus 11 budgeting myths holding you back*. Retrieved August 18, 2025, from <https://www.investopedia.com/terms/b/budget.asp>

66. C

Debit card. Similar to a check, a debit card is a form of financial exchange that allows individuals to draw money from a checking account. Unlike a check, a debit card makes automatic transactions that are immediately trackable. Cash transactions are difficult to track. Credit cards are a form of financial exchange that allows an individual to make payments using borrowed funds.

SOURCE: Spending Grade 8

SOURCE: Cussen, M.P. (2025, January 2). *Credit cards vs. debit cards: What's the difference?* Retrieved August 18, 2025, from <https://www.investopedia.com/articles/personal-finance/050214/credit-vs-debit-cards-which-better.asp>

67. A

A salary; wages. The main difference between a salaried employee and an hourly employee is that a salaried person is paid a fixed amount of money per pay period, whereas a wage earner is paid by the hour. In this example, Joel is a salaried employee because he gets paid the same amount each month regardless of how many hours he works. Anna, on the other hand, is a wage earner because she is paid by the hour. Earning interest is a different way to make money that involves investing your money over time. Earning dividends requires buying shares in a company. A dividend is a sum of money paid regularly by a company to its shareholders out of its profits.

SOURCE: Earning Income Grade 8

SOURCE: AccountingTools. (2025, May31). *The difference between salary and wages*. Retrieved August 18, 2025, from <https://www.accountingtools.com/articles/what-is-the-difference-between-salary-and-wages.html>

68. B

Financially. Car insurance protects you financially by helping reduce the amount of money you need to pay out of pocket for repairs, damages, theft, etc. Because she has car insurance, Raina didn't have to pay as much to repair the damage to her car from the fallen tree. Car insurance can help protect you by reducing medical bills and legal fees in the event of an accident, but these protections are not demonstrated in this example. Car insurance does not protect you culturally.

SOURCE: Managing Risk Grade 8

SOURCE: Allstate. (2024, January). *6 reasons why you need car insurance*. Retrieved August 18, 2025, from <https://www.allstate.com/resources/car-insurance/do-you-need-car-insurance>

69. D

Eamon earns \$30,000 per year, and he begins to save and invest 20% of his income at age 24. When money is regularly saved and invested for a long period of time, it grows greatly in value which allows a person to retire from the workforce. Since Tia and Jasmine are only saving their income and not investing it, their potential to create financial wealth is greatly reduced. Since Todd has used all his financial earnings to start a business, it's not likely he will be able to retire at age 60.

SOURCE: Saving Grade 8

SOURCE: HSBC Bank. (2025). *The importance of saving early*. Retrieved August 18, 2025, from <https://www.us.hsbc.com/financial-wellness/the-importance-of-saving-early/>

70. D

Full-time positions. An internship is a non-paid position with a company, organization, or government agency. Internship programs offer practical experience in specific occupations and also teach important job skills. Young people who perform well during an internship may be offered full-time, paid positions. They often have an advantage over other applicants because they have experience, are already working, and are known by management. Internship programs provide a type of on-the-job training. Young people may decide to continue their education after participating in internship programs. Some internship programs are a form of community service.

SOURCE: Earning Income Grade 8

SOURCE: Forbes. (2022, August 12). *The importance of internships and the invaluable relationships they bring*. Retrieved August 18, 2025, from <https://www.forbes.com/councils/forbeshumanresourcescouncil/2022/08/12/the-importance-of-internships-and-the-invaluable-relationships-they-bring/>

71. B

A guaranteed return on investment. Bonds are lending investments in which individuals lend money to a government, municipality, or corporation to earn a set rate of interest for a specified time period. Bondholders know that they will be paid a certain sum at a specified time in the future. Both bonds and stocks can be bought and sold at different prices. Interest rates can affect both the stock and bond markets. Bondholders do not have an ownership interest in the corporation that issued the bonds, but stockholders own a part of the issuing corporation.

SOURCE: Investing Grade 8

SOURCE: Kenny, T. (2021, October 30). *What are the differences between stocks and bonds?* Retrieved August 18, 2025, from <https://www.thebalancemoney.com/the-difference-between-stocks-and-bonds-417069>

72. C

Advance in their careers. Ongoing training and education helps workers learn the new skills that they need to perform their jobs and to advance in their careers. Because the business environment is always changing, businesses want to hire the workers who have up-to-date skills. Hiring workers with up-to-date skills is beneficial because the business can effectively compete in the marketplace, achieve its goals, and earn profits. The workers are recognized for their contributions to their companies, and often receive promotions and pay increases, which helps them advance in their careers. Ongoing training and education is a long-term commitment that helps a person to achieve long-term professional goals. The purpose of participating in ongoing training and education is not to assist workers in updating their resumes or encouraging them to change their work ethics.

SOURCE: Earning Income Grade 8

SOURCE: INTOO. (2025). *10 ways to help your employees with career development*. Retrieved August 19, 2025, from <https://www.intoo.com/us/blog/ways-to-help-employees-with-career-development/>

73. D

Risk is high. Insurance is a contractual agreement in which one company (insurer) will pay for specified losses incurred by the other company (insured) in return for installment payments (premium). The premium amount is dependent on many factors, including the risk, or chance of loss. For example, a business located near a river that frequently floods is more likely to pay higher property insurance premiums than a business that is not located near a body of water. The insurance company is more likely to pay a claim to the business for flood damages because the chance for flooding is higher. To cover the claim, the insurance company will charge the business high premiums for the policy. Low liability, minimal threats, and good security tend to lower premiums.

SOURCE: Managing Risk Grade 8

SOURCE: Davies. (2022, May 10). *Insurance risk levels and types*. Retrieved August 18, 2025, from <https://davies-group.com/northamerica/knowledge/insurance-risk-levels-and-types/>

74. B

They uniquely identify a company. Ticker symbols are simply a type of shorthand for company names that uniquely identify them, but they do not tell investors anything else about the company, such as what kind of stock the symbol represents. Sometimes the ticker symbols correspond to a company name, but not always. And as such, they would typically not be made up of a company's first three letters. All stock markets use ticker symbols, not just the New York Stock Exchange.

SOURCE: Investing Grade 8

SOURCE: LAP-QS-037—Table Talk (Reading Stock Tables)

75. B

Promote. An employee who understands the job and has the appropriate abilities and skills is often considered for promotion. Many businesses prefer to promote from within and review an employee's performance in order to make a decision. Employees who develop and improve their skills and abilities often move up the career ladder and are rewarded with promotions and additional responsibilities. A good evaluation might lead to an interview for a more important position and a promotion. Businesses counsel employees when they are not performing as expected.

SOURCE: Earning Income Grade 8

SOURCE: Dublino, J. (2025, May 14). *Look inside: Identifying employees you should be promoting from within*. Retrieved August 18, 2025, from <https://www.business.com/articles/5-tips-for-identifying-employees-you-should-be-promoting-from-within/>

76. D

Taxable income. Taxable income is any portion of one's income that can be taxed by federal, state, or local entities. These include most forms of income earned from employment such as wages, salaries, commissions, and bonuses. Nontaxable income includes gifts and inheritances, but does not include forms of employment compensation such as those stated in this example. Standard and itemized deductions are both subtracted from one's gross income to reduce one's overall taxable income. While wages, salaries, commissions, and bonuses can receive reduced taxation thanks to deductions, they are not examples of deductions themselves.

SOURCE: Earning Income Grade 8

SOURCE: IRS. (2025, August 18). *What is taxable and nontaxable income?* Retrieved August 18, 2025, from <https://www.irs.gov/businesses/small-businesses-self-employed/what-is-taxable-and-nontaxable-income>

77. D

Ongoing education. For employees like Joseph, ongoing education is a way to enhance current skills and gain new skills that can improve employment opportunities and personal achievement. This situation is not an example of the importance of mentorship programs or student loan forgiveness; however, both are beneficial in the workplace. Frequent training is also important at work, but is not demonstrated in this example because Joseph received his additional training outside of the workplace.

SOURCE: Earning Income Grade 8

SOURCE: University of Cincinnati. (2025). *5 benefits of continuing education for career advancement*. Retrieved August 28, 2025, from <https://online.uc.edu/blog/5-benefits-of-continuing-education-for-career-advancement/>

78. B

Saving is best used to reach goals in the near future, while investing is best used for longer-term goals. Money that is stored in a traditional savings account is best used for reaching short-term goals, such as paying for a vacation or a medical procedure. That's because savings accounts don't have the same potential for returns as investments do—making savings accounts less helpful for reaching long-term goals like paying for a child's education. Savings accounts allow you to access your cash quickly and easily, while money that is invested is harder to access. Savings accounts are also less risky than investments, meaning that you are much less likely to lose your money.

SOURCE: Saving Grade 8

SOURCE: Wells Fargo. (2025). *Saving vs. investing*. Retrieved August 18, 2025, from <https://www.wellsfargo.com/goals-investing/saving-vs-investing/>

79. D

Audrey was hired as a sales coordinator, was promoted to salesperson, and is now sales manager of CTK Corporation. Many companies promote from within, so the creation of new jobs opens the door for current employees to be considered for a promotion. The opportunity for promotion often occurs when employees retire or leave the company or the company expands and creates new positions. Each time Audrey was promoted within her company, she worked in the same business and her responsibilities increased, which is how careers often advance. There is not enough information provided to know if Jett held other positions within the company before he became production manager. Dylan's job change was a lateral move to another company. Julia's job change involved obtaining a more responsible position with another company.

SOURCE: Earning Income Grade 8

SOURCE: Teamflect. (2025, April 27). *Career advancement: Definition + examples + career timelines*. Retrieved August 18, 2025, from <https://teamflect.com/blog/hr-basics/career-advancement>

80. A

Rachel placed \$250 in a savings account and accumulated \$12.50 in interest. The time value of money states that money available today is more valuable than the same amount of money in the future—because you can invest the money today and earn a return on that investment. Because Rachel placed her money in an interest-earning account, her money is worth \$12.50 more than it was last year. Buying a watch, the amount of annual income allocated for expenses, and property taxes paid do not indicate the future value of a set amount of money.

SOURCE: Saving Grade 8

SOURCE: Croome, S. (2025, April 22). *Understanding the time value of money*. Retrieved August 18, 2025, from <https://www.investopedia.com/articles/03/082703.asp>

81. A

Money market fund. A money market fund is a pool of shareholders' money that is invested in securities over a short amount of time. They are low risk because of the short time frame. A stock fund, also known as an equity fund, is a pool of shareholders' money invested in different types of stocks. Because stock markets can be volatile, stock funds also carry greater risk. A hybrid fund, which is a mixture of stocks and bonds, is lower risk because of the diversification of the fund. However, it still carries some risk due to persistent volatility in the stock market.

SOURCE: Investing Grade 8

SOURCE: Donovan, W. (2021, December 15). *The 4 types of mutual funds*. Retrieved August 18, 2025, from <https://www.thebalancemoney.com/the-three-general-types-of-mutual-funds-3025628>

82. D

Monthly payment schedule. Developing a monthly payment schedule can help individuals organize, manage, and pay their bills on time. Spreadsheets, planners, schedule templates, and calendars are several effective ways to manage the bill-paying process. Regardless of the format used, individuals should note the payee's name, amount due, due date, date paid, and the method of payment. If writing a check, the check number should also be noted on the payment schedule. Individuals do not organize and manage their bills by using a scatter chart, work calendar, or credit report.

SOURCE: Spending Grade 8

SOURCE: Haagensen, E. (2024, October 17). *Procrastinator's guide to bill payment*. Retrieved August 18, 2025, from <https://www.investopedia.com/articles/pf/08/stop-paying-bills-late.asp>

83. C

Bodily injury liability insurance. Bodily injury liability insurance is a type of coverage for a situation where a driver causes injury to another driver. Property damage liability deals with situations in which a driver causes property damage to another person's property. Personal injury liability is not a real coverage, but personal injury protection is. Uninsured/Underinsured coverage is used when a driver is harmed by an uninsured/underinsured person.

SOURCE: Managing Risk Grade 8

SOURCE: Brady, R. (2024, March 28). *Liability car insurance: What it covers and how much you need*. Retrieved August 18, 2025, from <https://www.nerdwallet.com/article/insurance/auto/liability-car-insurance>

84. B

They are run by professional portfolio managers. Both closed-end funds and open-end funds must be professionally managed by an advisor with registration from the U.S. Securities and Exchange Commission (SEC). Only an open-end fund can issue an unlimited number of shares; closed-end funds issue a fixed number of shares. Closed-end funds are unique because their pricing is determined by supply and demand. Only open-end funds are also known as mutual funds.

SOURCE: Investing Grade 8

SOURCE: Chen, J. (2024, June 16). *Investment company: Definition, how it works, and example*. Retrieved August 18, 2025, from <https://www.investopedia.com/terms/i/investmentcompany.asp>

85. D

Buying a home. Home ownership is a long-term life goal many people save money for; they typically use this money to make a down payment on the purchase price of the home. An emergency fund is an important tool but does not represent a life goal. Budgeting for daily expenses and paying utility bills are common short-term goals, not long-term life goals.

SOURCE: Saving Grade 8

SOURCE: U.S. Bank. (2024, February 26). *Make a plan: Short- and long-term financial goals for every stage of your life*. Retrieved August 18, 2025, from <https://www.usbank.com/financialiq/manage-your-household/personal-finance/short-and-long-term-financial-goals-for-every-life-stage.html>

86. A

To reduce risk. Diversifying investments means investing in multiple places rather than putting all of your money in one investment option. For example, if you invest all of your money in one company that then fails, you will lose everything. If you invest in multiple companies, it is unlikely that they all will fail. Diversification, therefore, reduces risk. Diversifying investments does not necessarily help you avoid penalty fees, increase liquidity, or eliminate income tax.

SOURCE: Investing Grade 8

SOURCE: McWhinney, J. (2024, December 27). *Ways to achieve investment portfolio diversification*. Retrieved August 18, 2025, from <https://www.investopedia.com/articles/basics/05/diversification.asp>

87. D

How long the product will last. Durable goods are tangible items that should last a long time, such as cars, furniture, appliances, lawn equipment, etc. When purchasing a durable good, consumers typically consider how long the product will last. Typically, durable goods are designed to last at least 3 years. While consumers can make purchasing decisions based on the appeal of the product, whether their neighbors own the product, or whether they can get a discount, these are not typically factors influencing the purchase of durable goods.

SOURCE: Spending Grade 8

SOURCE: Lisa, A. (2021, August 4). *Durable goods spending and what it means for the economy*. Retrieved August 19, 2025, from <https://www.gobankingrates.com/money/economy/economy-explained-what-is-durable-goods-spending-what-does-it-signify/>

88. D

\$125.00. Sheena's net pay is what she actually receives after withholdings for federal, state, and local income taxes and government programs. Her gross pay is \$150.00, which is not the amount she will receive. \$275.00 could be found by adding the gross pay to the net pay, but this number is meaningless. \$25.00 could be found by subtracting her net pay from her gross pay, and it is the amount of her withholdings.

SOURCE: Earning Income Grade 8

SOURCE: Lazarony, L. (2021, September 21). *How to read your pay stub*. Retrieved August 19, 2025, from <https://credit.com/blog/how-to-read-your-paycheck-stub>

89. C

Getting started now. The single most important aspect of making a financial plan and setting goals is getting started now. Learning to make hard choices, making enough money, and choosing a career path are important aspects of goal setting, but they are not as important as simply getting started.

SOURCE: Spending Grade 8

SOURCE: Marquit, M. (2024, March 25). *Financial goals for students: How and why to set them*. Retrieved August 19, 2025, from <https://www.investopedia.com/financial-goals-for-students-7151682>

90. B

To reassure customers. Many businesses seek to reduce customer anxiety about purchasing by giving the customer a warranty or a guarantee with the product. They want the customer to know that problems with the product will be corrected or the purchase price will be refunded. Offering warranties and guarantees do not ensure that the business has taken steps to improve the quality of durable goods. Businesses are not required to offer warranties and guarantees. Establishing standards is a benefit to a business of offering warranties and guarantees rather than a reason for offering them.

SOURCE: Spending Grade 8

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

91. C

He'll be charged a late fee by his lender. Leonard will most likely be charged a late fee by his lender because he missed his payment. However, lenders don't report missed personal loan payments to credit bureaus until one billing cycle, or typically 30 days, has passed. If Leonard doesn't make his payment at least 30 days past due, his account would be considered delinquent. If Leonard goes anywhere from 90 to 120 days without making a payment, he will default on his loan, meaning he failed to repay the loan according to the terms of his loan agreement. If Leonard goes 120 days or more without making a payment, the lender will typically "charge off" his account, meaning that the lender gave up trying to collect money from him and likely sold his debt to a third-party collection agency.

SOURCE: Managing Credit Grade 8

SOURCE: Axelton, K. (2024, September 25). *What happens if you don't pay back a personal loan?* Retrieved August 19, 2025, from <https://www.experian.com/blogs/ask-experian/what-happens-if-you-dont-pay-back-personal-loan>

92. D

Lowered interest rates. When interest rates are lowered, consumer spending and borrowing will increase because people have more money to spend and are more willing to borrow. Decreases in demand do not increase spending. Higher tax rates decrease consumer spending because people have less disposable income available. Increased inflation can also decrease spending because purchasing power is lower, so people do not have as much money available to spend.

SOURCE: Managing Credit Grade 8

SOURCE: Seabury, C. (2024, October 15). *How interest rates affect the U.S. markets.* Retrieved August 19, 2025, from <https://www.investopedia.com/articles/stocks/09/how-interest-rates-affect-markets.asp>

93. D

Spread out the growth rates of their investments. Diversifying by cap size will help you spread out the growth rates of your investments. Each company fits into a cap size category, small, large, or mid (for medium), according to its market capitalization. By spreading out investment risk, diversification, in general, protects your portfolio from a negative event. One way to diversify is to avoid buying too many investments in one category. Updating your investment portfolio helps you stay on track with your investment goals and risk tolerance.

SOURCE: Investing Grade 8

SOURCE: Fidelity. (2025, July 18). *The guide to diversification.* Retrieved August 19, 2025, from <https://www.fidelity.com/viewpoints/investing-ideas/guide-to-diversification>

94. A

You will not be able to retire. If you do not start investing money at a young age, you won't have as much time to save for retirement. This means that you might not ever be able to retire and will instead have to keep working indefinitely. While investing does involve taking risks, the decision not to invest is also a financial risk. You will likely incur credit card debt if you wait until you are middle-aged to start investing because you will not have the resources you need to cover expenses. Finally, you will not necessarily make smarter financial decisions if you wait to invest; you can make smart, informed investing decisions at any age.

SOURCE: Investing Grade 8

SOURCE: Rose, J. (2017, January 27). *9 financial advisors share what happens when you don't save for retirement*. Retrieved August 19, 2025, from <https://www.forbes.com/sites/jrose/2017/01/27/9-financial-advisors-what-happens-when-you-dont-save-for-retirement/#1d027d157ff3>

95. D

Government bonds. These bonds are issued by various levels of government, from the local to the national level. Government bonds are considered one of the safest types of investments because they are backed by the government. Although government bonds do not pay high interest rates, they are safe and a good investment for individuals who cannot afford to risk losing their investment. Penny stocks are very inexpensive, but their value can go up or down quickly. Commodities and precious metals are considered high-risk investments because of the fluctuations in price and value.

SOURCE: Investing Grade 8

SOURCE: Kenny, T. (2021, August 2). *The safety of U.S. treasuries and government bonds*. Retrieved August 19, 2025, from <https://www.thebalancemoney.com/how-safe-are-u-s-treasuries-417129>

96. D

To enhance career progression. Employees need to develop various skills to move up the career ladder. Some of the most important skills are occupational skills that enable employees to do the work that is required on the job. However, it is also important to develop good interpersonal skills if employees expect to progress in their careers and be promoted. Employees with good interpersonal skills are able to get along with coworkers and customers, and communicate effectively. Higher-level positions often require employees to interact with many different people, and the employees who have good interpersonal skills usually are the ones who are promoted to those positions. Employees do not learn occupational skills and develop good interpersonal skills to obtain work experience, identify a potential industry, or prepare for retirement.

SOURCE: Earning Income Grade 8

SOURCE: Indeed. (2025, June 6). *7 tips to improve your career development*. Retrieved August 19, 2025, from <https://www.indeed.com/career-advice/career-development/improve-your-career-development>

97. A

Deter a large volume of insignificant insurance claims. A deductible is a determined amount that a policyholder must pay before the insurer pays a claim. This helps discourage policyholders from repeatedly making insignificant insurance claims. The goal of a deductible is not to increase the cost of insurance premiums or promote communication between team members. The more expensive a deductible is, the cheaper the overall policy. This is because the high out-of-pocket expenses usually result in fewer claims.

SOURCE: Managing Risk Grade 8

SOURCE: Kagan, J. (2025, August 7). *What is insurance?* Retrieved August 19, 2025, from <https://www.investopedia.com/terms/i/insurance.asp>

98. B

Put aside money in a traditional bank account, such as a savings account. When saving money for a short-term goal such as buying a car, making a down payment on a house, or creating an emergency fund, traditional bank accounts are generally best because they allow you to access your money quickly and easily. Investing money generally involves higher risk than a traditional bank account and usually makes it more challenging to access money quickly. Retirement savings accounts such as 401(k) accounts are not intended to be used for short-term savings goals.

SOURCE: Saving Grade 8

SOURCE: McBride, G. (2025, June 10). *The best places to keep your emergency fund*. Retrieved August 19, 2025, from <https://www.bankrate.com/banking/savings/where-to-keep-emergency-fund/>

99. B

Lower. APR stands for annual percentage rate, which represents the amount of interest on your total loan that you'll pay annually. It takes into account the interest rates, the length of the loan agreement, and other fees or charges. If you have a lower APR, your monthly payments will be lower. A higher APR means higher monthly payments. Whether monthly payments are stable or fluctuating depends on whether the interest rate is fixed or adjustable.

SOURCE: Managing Credit Grade 8

SOURCE: Fernando, J. (2025, August 13). *Annual percentage rate (APR): Definition, calculation, and comparison*. Retrieved August 19, 2025, from <https://www.investopedia.com/terms/a/apr.asp>

100. C

Tax liability. A tax liability is tax that a person or business must pay the government. Certain events, like annual income, an inheritance, and money from the sale of an asset, are taxable. Since citizens must pay money on these sources of income, it is not untaxable income or a tax loophole. Sales tax is a type of tax that is paid on the sale of goods and services.

SOURCE: Earning Income Grade 8

SOURCE: Investopedia. (2025, May 26). *Tax liability: Definition, calculation, and example*. Retrieved August 18, 2025, from <https://www.investopedia.com/terms/t/taxliability.asp>