



JA Personal Finance[®]

(Kit)

Answer Key to Knowledge Questions

1. Of the following steps, which would be the **FIRST** step in financial planning?
 - a. Get a job so you can start earning money.
 - b. **Determine your needs and goals for the future.**
 - c. Starting looking for a home to buy.
 - d. Save a portion of your money for the future.
2. The best predictor of how much money you will make in the future is the _____ you choose.
 - a. skills
 - b. connections
 - c. education
 - d. **all of the above**
3. Which of the following should you remember when developing a savings plan?
 - a. Wait until you are 40 years old before saving.
 - b. **Pay yourself first.**
 - c. Pay off your low-interest debt first.
 - d. Have only high-risk investments.
4. All of the following are elements of financial planning except one. Which one is **NOT**?
 - a. earn money
 - b. save money
 - c. **never use credit**
 - d. spend money wisely
5. Alan has created a new budget. Which of the following should he **NOT** do?
 - a. Have a spending plan.
 - b. Spend less than he earns.
 - c. **Use credit for all items not in his budget.**
 - d. Stick to his budget.
6. Match each term to the correct definition.

<u>e.</u> Income	a. Money spent to buy or do something
<u>a.</u> Expenses	b. Expense that vary from month to month
<u>d.</u> Fixed expense	c. The next best alternative given up when a choice is made
<u>b.</u> Variable expense	d. Expenses that do not change from month to month
<u>c.</u> Opportunity cost	e. Any money earned or received



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7. Which of the following statements about credit is FALSE?
- A credit score is something that can be used to determine if you get a loan.
 - Always read the fine print in a contract when you buy something on credit.
 - Credit is something that is bad and should always be avoided.**
 - Most people will need credit at some point in their lives.
8. Which of the following statements is NOT good advice for risk management?
- Shred any mail that contains personal information.
 - Purchase insurance to lower your risk of out-of-pocket expenses.
 - Don't let anyone pressure you to buy something.
 - Store your list of passwords in your phone.**