

Banking and Investment Quiz KEY

Circle the best answer.

1. The reason that you will earn a better rate of interest on a CD over a savings account is:
 - a. You agree to invest the money for a longer period of time.
 - b. You must deposit large amounts of money in a CD.
 - c. You have to be willing to risk losing your money.
2. Savings and investing are wise choices for long-term goals.
 - a. True
 - b. False (savings should be used for short or mid-term goals)
3. Credit Unions and Banks are insured up to at least _____ in deposits.
 - a. \$50,000.00
 - b. \$100,000.00
 - c. \$150,000.00
4. The greatest disadvantage of investing in collectables is:
 - a. You are clueless as to what they are really worth.
 - b. They are likely to increase in value but could decrease in value.
 - c. If you need money quickly, it might be difficult to find a buyer willing to pay the true value in a hurry.
5. An agreement where a borrower (usually the Federal Government) agrees to use your money for a specific period of time for a specific rate of interest is a:
 - a. U. S. Savings Bond
 - b. Money Market Account
 - c. Collectible
6. List three advantages of a checking account. You do not have to carry large amounts of cash. You have a way to pay your bills either by check or using bill pay. You have a record of your spending. You can build a credit rating through careful management of a checking account.
7. What happens when you overdraw a checking account? You are charged overdraft fees and the business you wrote the check to will charge a return check fee if your bank does not cover the check. It can be very expensive.

Name: _____ Period: _____ Date: _____

8. What are two ways you can use a debit card? You can use your debit card at an ATM machine or you can use it at a store to make purchases. You can make purchases online.
9. Why should you invest for retirement when you are young? When you are young, you have time on your side and many years for your money to grow. You can invest less as a young person and have more money at retirement than if you wait until you are older and invest large amounts.
10. Why do many people invest in mutual funds? Mutual funds are considered a very safe investment because the funds are diversified and overseen by an expert in investments.
11. What are the benefits and risks of investing in stocks? You can earn more money because stocks offer a greater opportunity for your money to grow. There is also a greater risk of loss. Younger people might invest in stock to try to get greater growth from their money and as they get closer to retirement, move the money to a safer investment.
12. Explain and give an example of The "Rule of 72". The "Rule of 72" tells you how long it takes to double your money by dividing 72 by the interest rate or you can figure out how much interest you need to get to double your money in a specific time frame. (student examples will vary)
- Interest Rate/72=years to double investment
- Years to invest/72=Interest rate needed
13. What are the disadvantages of investing in real estate or collectables? They must be sold to liquefy your assets. If you need money in a hurry, you may not be able to get as much as you would like. They may not increase in value as you expect them to.