|  |
| --- |
| **True / False** |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 1. The average propensity to consume is commonly viewed as a key determinant of standard of living.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 2. Financial planning can improve your standard of living.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 3. Standard of living is defined as the necessities, comforts, and luxuries desired by an individual or a group.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | True |

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| 4. Personal financial plans help individuals to have the same standard of living across the country.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 5. The most effective way to achieve financial objectives is through financial planning.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 6. Two persons with equal average propensities to consume will not necessarily have equal standards of living because of differences in income.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 7. A person making $35,000 and spending $30,800 has an average propensity to consume of 80%.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |

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| 8. Tangible assets are earning assets that are held for the returns they promise.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 9. It is very easy to change your partner's financial style, so there is no need for financial planning to resolve conflicts regarding money matters.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 10. The need for financial planning declines as your income increases.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 11. A good financial plan is completed when one is in his or her 30s and will typically last a lifetime.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 12. Saving $3,000 for a large, flat-screen TV within the next 6 years is an example of a short-term goal.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| 13. A financial goal that would be important in all stages of the life cycle is creating and maintaining an emergency fund.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 14. It is not good to discuss about your financial goals and attitudes toward money with your partner.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 15. For most people working in large firms, managing employee benefits are an important part of their financial planning.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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| 16. Accumulating wealth for later years is called estate planning.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 17. The longer you wait to begin retirement planning, the less you will likely have in your retirement fund.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 18. Tax plans are closely tied to investment plans.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 19. Most people tend to be more liberal about their expenditures during a recession or crisis.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 20. You should always spend more than what you earn.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 21. Commission-based financial planners charge fees on the financial products they sell.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 22. Fee-only financial planners charge commission for the products they sell.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 23. Taking advantage of and managing employer sponsored benefits is not included in financial planning.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 24. Recessions and financial crises will not affect any individual directly.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 25. Financial planning takes place in a constant economic environment created by the actions of the government, business, and consumers.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 26. Your purchase, saving, investment, and retirement plans and decisions are influenced only by the present state of the economy.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 27. The government has no influence on other players of the economy.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 28. Living costs remain the same throughout the country.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 29. Geographic factors affect your earning power.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 30. Marital status affects the income level of individuals.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 31. The decisions you make in career planning are independent of the decisions you make in financial planning.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

|  |  |
| --- | --- |
| *ANSWER:* | False |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 32. Setting long-term and short-term career goals help in career planning.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | True |

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| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 33. Career plans should not be revised in any situation.

|  |  |  |
| --- | --- | --- |
|   | a.  | True |
|   | b.  | False |

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| --- | --- |
| *ANSWER:* | False |

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| --- |
| **Multiple Choice** |

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| 34. Personal financial management is important because it:​

|  |  |  |
| --- | --- | --- |
|   | a.  | ​controls inflation. |
|   | b.  | ​limits consumption. |
|   | c.  | ​reduces social disparity. |
|   | d.  | ​makes personal financial goals easier to achieve. |
|   | e.  | ​reduces economic differences among individuals. |

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| --- | --- |
| *ANSWER:* | d |

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| 35. ​Financial planning helps us to:

|  |  |  |
| --- | --- | --- |
|   | a.  | ​control inflation. |
|   | b.  | ​spend wisely. |
|   | c.  | ​control unemployment rates. |
|   | d.  | ​obtain a social security number. |
|   | e.  | ​decrease national debt. |

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| --- | --- |
| *ANSWER:* | b |

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| 36. ​The term most closely associated with quality of life is:

|  |  |  |
| --- | --- | --- |
|   | a.  | ​wealth. |
|   | b.  | ​consumption. |
|   | c.  | ​education. |
|   | d.  | ​standard of living. |
|   | e.  | ​money. |

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| --- | --- |
| *ANSWER:* | d |

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| 37. ​ A primary determinant of your quality of life is your:

|  |  |  |
| --- | --- | --- |
|   | a.  | ​tax bill. |
|   | b.  | ​level of education. |
|   | c.  | ​wealth. |
|   | d.  | ​motivation. |
|   | e.  | ​income potential. |

|  |  |
| --- | --- |
| *ANSWER:* | c |

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| 38. ​The average propensity to consume refers to the:

|  |  |  |
| --- | --- | --- |
|   | a.  | dollars of income spent for current consumption. |
|   | b.  | ​percentage of income saved. |
|   | c.  | ​expenditure for the basic necessities of life. |
|   | d.  | ​percentage of income spent for current consumption. |
|   | e.  | ​fact that people with higher incomes spend more for the necessities of life. |

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| *ANSWER:* | d |

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| 39. ​Becky graduated with a master's degree in Personal Financial Planning. After working two years in a small financial planning firm, Becky earns $60,000 annually and saves $10,000 a year. What is her average propensity to consume?

|  |  |  |
| --- | --- | --- |
|   | a.  | ​16.7% |
|   | b.  | ​25.5% |
|   | c.  | ​75.7% |
|   | d.  | ​83.3% |
|   | e.  | ​95.5% |

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| *ANSWER:* | d |

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| 40. ​Generally, as income rises, the average propensity to consume:

|  |  |  |
| --- | --- | --- |
|   | a.  | ​stabilizes. |
|   | b.  | ​drops to zero. |
|   | c.  | ​regularizes. |
|   | d.  | ​becomes erratic. |
|   | e.  | ​decreases. |

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| --- | --- |
| *ANSWER:* | e |

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| 41. ​\_\_\_\_\_ consists of financial and tangible assets.

|  |  |  |
| --- | --- | --- |
|   | a.  | ​Wealth |
|   | b.  | ​Utility |
|   | c.  | ​Consumer price index |
|   | d.  | ​Flexible-benefit |
|   | e.  | ​Inflation |

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| --- | --- |
| *ANSWER:* | a |

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| 42. ​Stocks, bonds and mutual funds are \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | ​physical assets |
|   | b.  | ​intangible assets |
|   | c.  | ​fixed assets |
|   | d.  | national assets​ |
|   | e.  | ​non-current assets |

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| --- | --- |
| *ANSWER:* | b |

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| 43. ​The last step in the financial planning process is to:

|  |  |  |
| --- | --- | --- |
|   | a.  | ​develop financial plans and strategies to achieve goals. |
|   | b.  | ​use financial statements to evaluate results of plans and budgets, taking corrective action as required. |
|   | c.  | ​implement financial plans and strategies. |
|   | d.  | ​redefine goals and revise plans and strategies as personal circumstances change. |
|   | e.  | ​periodically develop and implement budgets to monitor and control progress toward goals. |

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| *ANSWER:* | d |

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| 44. ​When setting financial goals, one should typically start by setting:

|  |  |  |
| --- | --- | --- |
|   | a.  | ​short-term goals. |
|   | b.  | ​intermediate-term goals. |
|   | c.  | ​long-term goals. |
|   | d.  | ​goals that are not time-bound. |
|   | e.  | ​goals that are unrealistic. |

|  |  |
| --- | --- |
| *ANSWER:* | c |

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| 45. ​Which of the following goals is stated in a way that is most useful for developing a financial plan?

|  |  |  |
| --- | --- | --- |
|   | a.  | ​Make a $12,000 down payment on an automobile in 4 years. |
|   | b.  | ​Retire with a comfortable lifestyle in 25 years. |
|   | c.  | ​Buy a $125,000 house. |
|   | d.  | ​Purchase a $40,000 boat. |
|   | e.  | ​Join the country club when retired in 20 years. |

|  |  |
| --- | --- |
| *ANSWER:* | a |

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|  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- | --- |
| 46. ​Money is:

|  |  |  |
| --- | --- | --- |
|   | a.  | ​the reason for all transactions. |
|   | b.  | ​a medium of exchange. |
|   | c.  | ​the purpose of our economy. |
|   | d.  | ​a medium of consumption. |
|   | e.  | ​a measure of propensity to consume. |

|  |  |
| --- | --- |
| *ANSWER:* | b |

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| 47. ​Financial plans include setting goal dates that are:

|  |  |  |
| --- | --- | --- |
|   | a.  | ​dates in the future when the goals are expected to be achieved. |
|   | b.  | ​dates in the future when the goals will be compared with other goals that have already been achieved. |
|   | c.  | ​dates in the past when the goals were achieved. |
|   | d.  | ​dates in the past when the goals were set. |
|   | e.  | ​dates in the future when the goals will be discussed with the family members. |

|  |  |
| --- | --- |
| *ANSWER:* | a |

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| 48. ​Which of the following is true about setting long-term goals?

|  |  |  |
| --- | --- | --- |
|   | a.  | ​The goals should be very ambitious. |
|   | b.  | ​The goals should be realistic. |
|   | c.  | ​The goals should be to exhaust the surplus funds. |
|   | d.  | ​The goals should be very conservative. |
|   | e.  | ​The goals should be set each year. |

|  |  |
| --- | --- |
| *ANSWER:* | b |

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| 49. ​\_\_\_\_\_ can be one of the most emotional issues in any relationship, including that with a partner, parents, or children.

|  |  |  |
| --- | --- | --- |
|   | a.  | ​Utility |
|   | b.  | ​Economic cycle |
|   | c.  | ​Fiscal policy |
|   | d.  | ​Money |
|   | e.  | ​Gross domestic product |

|  |  |
| --- | --- |
| *ANSWER:* | d |

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| 50. ​The best way to resolve money disputes is to:

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|   | a.  | ​never discuss money matters with family and only one person in the family should make the financial decisions. |
|   | b.  | ​communicate consistently about it with family and be willing to compromise. |
|   | c.  | ​take financial decisions independently and individuals should not interfere in other family members' financial matters. |
|   | d.  | ​take a third party's opinion, who is not a part of the family, to resolve the disputes. |
|   | e.  | ​always handle the money disputes of a family according to the local state law. |

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| *ANSWER:* | b |

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| 51. ​\_\_\_\_\_ is an important part of the conflict resolution process regarding money matters in families.

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|   | a.  | ​Life cycle analysis |
|   | b.  | ​Personality development |
|   | c.  | ​Financial planning |
|   | d.  | ​Personal counselling |
|   | e.  | ​Stress management |

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| *ANSWER:* | c |

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| 52. ​Knowing what you need to accomplish \_\_\_\_\_, and how you intend to do it, gives you an edge over someone who merely reacts to monetary events as they unfold.

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| --- | --- | --- |
|   | a.  | ​socially |
|   | b.  | ​physically |
|   | c.  | ​financially |
|   | d.  | ​legally |
|   | e.  | ​politically |

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| *ANSWER:* | c |

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| 53. ​The most important financial planning for young people concerns:

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| --- | --- | --- |
|   | a.  | ​career. |
|   | b.  | ​insurance. |
|   | c.  | ​investment. |
|   | d.  | ​taxes. |
|   | e.  | ​retirement. |

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| *ANSWER:* | a |

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| 54. ​Martha is 60 and has a very high net worth. Her most important financial concern is probably her:

|  |  |  |
| --- | --- | --- |
|   | a.  | ​career. |
|   | b.  | ​employee benefits. |
|   | c.  | ​estate. |
|   | d.  | ​insurance. |
|   | e.  | ​savings. |

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| *ANSWER:* | c |

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| 55. ​Employee benefits may include:

|  |  |  |
| --- | --- | --- |
|   | a.  | ​asset purchase. |
|   | b.  | ​estate management. |
|   | c.  | ​investment advice. |
|   | d.  | ​pension payments. |
|   | e.  | ​medical services. |

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| *ANSWER:* | d |

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| 56. ​Tax planning is most commonly done to:

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|   | a.  | ​determine the tax penalty. |
|   | b.  | ​evade taxes. |
|   | c.  | ​minimize taxes. |
|   | d.  | ​pay extra taxes. |
|   | e.  | ​learn the tax code. |

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| *ANSWER:* | c |

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| 57. ​Estate planning involves:

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|   | a.  | ​considering how your wealth can be most effectively passed on to heirs. |
|   | b.  | ​payment of all back taxes to ensure minimum tax liability. |
|   | c.  | ​dissolution of all privately held corporations by filing bankruptcy under Chapter 13. |
|   | d.  | ​valuation and auctioning of your valuables by hiring a professional tax planner. |
|   | e.  | ​planning for retirement and medical insurance. |

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| *ANSWER:* | a |

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| 58. ​Ideally, retirement planning should begin:

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|   | a.  | ​during the year before retirement. |
|   | b.  | ​when the last child has left home. |
|   | c.  | ​as soon as the mortgage is paid off. |
|   | d.  | ​when you get married. |
|   | e.  | ​as soon as one starts earning. |

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| *ANSWER:* | e |

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| 59. ​Professional financial planners:

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| --- | --- | --- |
|   | a.  | ​provide their services on fees and commission basis. |
|   | b.  | ​are only for wealthy investors who have a net worth above one billion dollars. |
|   | c.  | ​are skilled at offering simple solutions to complex financial problems. |
|   | d.  | ​make financial decisions for investors. |
|   | e.  | ​are best utilized during retirement years. |

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| *ANSWER:* | a |

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| 60. ​People's incomes tend to be at the peak during their \_\_\_\_\_.

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| --- | --- | --- |
|   | a.  | ​early childhood stage |
|   | b.  | ​career development stage |
|   | c.  | ​pre-retirement stage |
|   | d.  | ​high school and college stage |
|   | e.  | ​pre-family independence stage |

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| *ANSWER:* | c |

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| 61. ​Health and disability insurance is also covered under:

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| --- | --- | --- |
|   | a.  | ​asset acquisition planning. |
|   | b.  | ​tax planning. |
|   | c.  | ​retirement planning. |
|   | d.  | ​estate planning. |
|   | e.  | ​employee benefit planning. |

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| *ANSWER:* | e |

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| 62. ​Which of the following is included in the employee benefits package?

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| --- | --- | --- |
|   | a.  | Estate plans​ |
|   | b.  | ​Pension plans |
|   | c.  | ​Federal plans |
|   | d.  | ​Personal plans |
|   | e.  | ​Bankruptcy plans |

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| *ANSWER:* | b |

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| 63. ​Which of the following is true about investments?

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| --- | --- | --- |
|   | a.  | ​As income increases, the need for investment decreases. |
|   | b.  | ​Keeping money in savings account is a form of investment. |
|   | c.  | ​Higher returns on investment will lead to accumulation of lesser wealth. |
|   | d.  | ​An investment is measured by the amount of debt we incur. |
|   | e.  | ​The length of time for which the money is invested is important. |

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| *ANSWER:* | e |

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| 64. ​Ben invests $10,000 at a rate of interest of 5 percent for 40 years. Which of the following is true about the interest received on the investment?

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| --- | --- | --- |
|   | a.  | ​Ben will receive more money at the end of 30 years compared to the money received at the end of 40 years. |
|   | b.  | ​Ben will receive more money at 3 percent rate of interest instead of the existing rate. |
|   | c.  | ​Ben will receive an interest of $5,000 at the end of ten years. |
|   | d.  | ​Ben will receive no interest on his investment at the end of the investment period. |
|   | e.  | ​Ben will receive a significant amount at the end of the investment period, due to the feature of compounding. |

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| *ANSWER:* | e |

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| 65. ​Which of the following will legitimately reduce an investor's tax liability?

|  |  |  |
| --- | --- | --- |
|   | a.  | ​Tax evasion |
|   | b.  | ​Tax shelter |
|   | c.  | ​Deferred tax liability |
|   | d.  | ​Deferred tax asset |
|   | e.  | ​Tax portfolio |

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| *ANSWER:* | b |

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| 66. ​Which of the following practices will help to survive in a financial crisis?

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| --- | --- | --- |
|   | a.  | ​Spend more than you earn to maintain a good lifestyle. |
|   | b.  | ​Keep investing so your money continues to work toward your goals. |
|   | c.  | ​Emergency funds should be kept as a last priority while saving for future. |
|   | d.  | ​Financial plans should be made only when you reach higher tax brackets. |
|   | e.  | ​Tax planning should not be done using tax shelters. |

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| *ANSWER:* | b |

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| 67. Which of the following is true about the effects of an economic recession?​

|  |  |  |
| --- | --- | --- |
|   | a.  | ​Increase in the standard of living |
|   | b.  | ​Reduction in the amount of taxes paid |
|   | c.  | ​Increase in spending |
|   | d.  | ​Decrease in the value of retirement accounts |
|   | e.  | ​Increase in the value of insurance purchase |

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| *ANSWER:* | c |

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| 68. ​\_\_\_\_\_ provide the roadmap for achieving your monetary goals.

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| --- | --- | --- |
|   | a.  | ​Political plans |
|   | b.  | ​Social plans |
|   | c.  | Financial plans​ |
|   | d.  | ​Technological plans |
|   | e.  | ​Legal plans |

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| *ANSWER:* | b |

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| 69. ​In addition to discussing your financial goals with your partner, you must allocate responsibility for \_\_\_\_\_ tasks and decisions.

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| --- | --- | --- |
|   | a.  | ​skill management |
|   | b.  | ​stress management |
|   | c.  | ​household management |
|   | d.  | ​money management |
|   | e.  | ​business cycle management |

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| *ANSWER:* | d |

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| 70. ​The three key groups in the economic environment are:

|  |  |  |
| --- | --- | --- |
|   | a.  | ​government, regulation, and business. |
|   | b.  | ​government, consultants, and business. |
|   | c.  | ​consumers, economists, and business. |
|   | d.  | ​consumers, business, and managers. |
|   | e.  | ​government, consumers, and business. |

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| *ANSWER:* | e |

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| 71. ​The Government places controls on the personal financial environment by the use of:

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| --- | --- | --- |
|   | a.  | ​taxation and leverage policy. |
|   | b.  | ​taxation and regulation. |
|   | c.  | ​taxation and competition. |
|   | d.  | ​regulation and competition. |
|   | e.  | ​regulation and fiscal policy. |

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| *ANSWER:* | b |

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| 72. ​\_\_\_\_\_ provide(s) goods and services.

|  |  |  |
| --- | --- | --- |
|   | a.  | ​Businesses |
|   | b.  | ​The Government |
|   | c.  | ​The Federal Bureau of Investigation  |
|   | d.  | ​The Central Bank |
|   | e.  | ​Consumers |

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| *ANSWER:* | a |

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| 73. The amount of goods and services each dollar buys at a given point in time is:​

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| --- | --- | --- |
|   | a.  | ​inflation. |
|   | b.  | ​the consumer price index. |
|   | c.  | ​purchasing power. |
|   | d.  | ​the gross domestic product. |
|   | e.  | ​opportunity cost |

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| *ANSWER:* | c |

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| 74. ​The individual consumer is:

|  |  |  |
| --- | --- | --- |
|   | a.  | ​a member of the business group. |
|   | b.  | ​the central player in the financial planning environment. |
|   | c.  | ​an important force in the government. |
|   | d.  | ​an advocacy group that fights corruption in the government. |
|   | e.  | ​relatively unimportant to business or the government. |

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| *ANSWER:* | b |

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| 75. ​A strong economy leads to:

|  |  |  |
| --- | --- | --- |
|   | a.  | ​lower inflation. |
|   | b.  | ​lower interest rates. |
|   | c.  | ​higher employment. |
|   | d.  | ​lower productivity. |
|   | e.  | ​higher unemployment. |

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| *ANSWER:* | c |

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| 76. ​The stage in which the economy hits a peak is called:

|  |  |  |
| --- | --- | --- |
|   | a.  | ​expansion. |
|   | b.  | ​contraction. |
|   | c.  | ​stagnation. |
|   | d.  | ​recession. |
|   | e.  | ​depression. |

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| *ANSWER:* | a |

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| 77. ​Which of the following statements is true if the average inflation rate is 5 percent per year and the real salary of Andy has declined?

|  |  |  |
| --- | --- | --- |
|   | a.  | ​The purchasing power of Andy will increase. |
|   | b.  | ​The annual growth rate in Andy's salary is less than 5 percent. |
|   | c.  | ​Employment opportunities for Andy will increase. |
|   | d.  | ​The annual growth in Andy's salary is equal to the average inflation rate. |
|   | e.  | ​The cost of borrowing for Andy will be less than 5 percent. |

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| *ANSWER:* | b |

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| 78. ​Inflation refers to:

|  |  |  |
| --- | --- | --- |
|   | a.  | ​rising prices. |
|   | b.  | ​declining interest rates. |
|   | c.  | ​increasing tax rates. |
|   | d.  | ​increasing stock index. |
|   | e.  | ​declining GDP. |

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| *ANSWER:* | a |

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| 79. An economy will usually go into a(n) \_\_\_\_\_ after a peak.​

|  |  |  |
| --- | --- | --- |
|   | a.  | ​convolution |
|   | b.  | ​expansion |
|   | c.  | ​contraction |
|   | d.  | ​recovery |
|   | e.  | ​prosperity |

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| *ANSWER:* | c |

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| 80. ​The financial crisis of 2008 and 2009 is best characterized as a \_\_\_\_\_.

|  |  |  |
| --- | --- | --- |
|   | a.  | ​recession |
|   | b.  | ​depression |
|   | c.  | ​hyperdeflation |
|   | d.  | ​business peak |
|   | e.  | ​bubble |

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| *ANSWER:* | a |

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| 81. ​Understanding the economic environment will allow you to make better \_\_\_\_\_ decisions.

|  |  |  |
| --- | --- | --- |
|   | a.  | ​social |
|   | b.  | ​political |
|   | c.  | ​technological |
|   | d.  | ​financial |
|   | e.  | ​legal |

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| *ANSWER:* | d |

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| 82. ​The \_\_\_\_\_ environment of your country affects the interest rates you pay on your mortgage and credit cards as well as those you earn on savings accounts and bonds.

|  |  |  |
| --- | --- | --- |
|   | a.  | ​economic |
|   | b.  | ​political |
|   | c.  | ​technological |
|   | d.  | ​social |
|   | e.  | ​legal |

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| *ANSWER:* | a |

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| 83. ​Typically, people with low incomes tend to be:

|  |  |  |
| --- | --- | --- |
|   | a.  | ​educated. |
|   | b.  | ​very old. |
|   | c.  | ​childless. |
|   | d.  | ​married. |
|   | e.  | ​employed. |

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| *ANSWER:* | b |

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| 84. ​Salaries could vary across geographical areas because of:

|  |  |  |
| --- | --- | --- |
|   | a.  | ​legal costs. |
|   | b.  | ​living costs. |
|   | c.  | ​social costs. |
|   | d.  | ​psychological costs. |
|   | e.  | ​technological costs. |

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| *ANSWER:* | b |

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| **Completion** |

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| 85. The best way to achieve your financial objectives is to \_\_\_\_\_\_\_\_\_.A. save every extra dollar you can.B. spend the money at once to reach the objectives swiftly.C. develop a sound financial plan.D. create a good tax evasion strategy.

|  |  |
| --- | --- |
| *ANSWER:* | develop a sound financial plan. |

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| 86. \_\_\_\_\_\_\_\_\_ help(s) in making decisions regarding retirement.A. Financial plansB. Average propensity to consumeC. Intangible assetsD. Standard of living

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| *ANSWER:* | Financial plans |

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| 87. Purchase of a car is an example of \_\_\_\_\_\_\_\_\_.A. current consumptionB. social conservationC. tax exemptionD. economic contraction

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| *ANSWER:* | current consumption |

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| 88. \_\_\_\_\_\_\_\_\_ would be considered an example of financial assets.A. A homeB. StocksC. CarsD. Jewelry

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| *ANSWER:* | Stocks |

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| 89. One trend with a profound effect on people's standard of living is the \_\_\_\_\_\_\_\_\_ which requires greater responsibility to manage money wisely.A. single-income familyB. two-income familyC. no-income familyD. retirement-income family

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| *ANSWER:* | two-income family |

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| 90. A carefully developed financial plan should save a portion of \_\_\_\_\_\_\_\_\_ for deferred, future spending.A. rental expenseB. tax expenseC. current incomeD. future income

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| *ANSWER:* | current income |

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| 91. Regardless of income or wealth, setting aside some portion of current income regularly for future use helps in developing good \_\_\_\_\_\_\_\_\_.A. saving habitsB. spending habitsC. planning habitsD. acquiring habits

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| *ANSWER:* | saving habits |

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| 92. Most families find it difficult to discuss \_\_\_\_\_\_\_\_\_.A. money mattersB. economic mattersC. social mattersD. political matters

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| *ANSWER:* | money matters |

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| 93. Personal \_\_\_\_\_\_\_\_\_ is a systematic process that considers important elements of an individual's monetary affairs in order to fulfill monetary goals.A. conflict resolvingB. financial planningC. standard of livingD. legal counselling

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| *ANSWER:* | financial planning |

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| 94. \_\_\_\_\_\_\_\_\_ would be considered to be real property.A. StocksB. A houseC. CashD. Bonds

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| *ANSWER:* | House |

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| 95. Income tends to \_\_\_\_\_\_\_\_\_ between the ages of 65 and 80.A. increaseB. decreaseC. stabilizeD. fluctuate

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| *ANSWER:* | decrease |

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| 96. If you start investing in an IRA at the age of 30 for 10% upto the age of 65, you will get more returns compared to \_\_\_\_\_\_\_\_\_.A. investing from the age of 25B. investing at 12%C. investing for 45 yearsD. investing upto the age of 60

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| *ANSWER:* | investing upto the age of 60 |

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| 97. Tax planning is most common among individuals with \_\_\_\_\_\_\_\_\_.A. low incomeB. high incomeC. no incomeD. erratic income

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| *ANSWER:* | high income |

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| 98. In \_\_\_\_\_\_\_\_\_, the employer allocates a certain amount of money to each employee and lets the employee spend that money for the benefits that suit him or her.A. cafeteria plansB. fixed-benefit plansC. estate plansD. profit-sharing plans

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| *ANSWER:* | cafeteria plans |

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| 99. A decrease in the gross domestic product would indicate that our economy is in a(an)\_\_\_\_\_\_\_\_\_.A. expansionB. contractionC. deflationD. stagflation

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| *ANSWER:* | contraction |

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| 100. Following an economic trough, the economy will often enter a period of \_\_\_\_\_\_\_\_\_.A. expansionB. contractionC. deflationD. stagflation

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| *ANSWER:* | expansion |

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| 101. The Consumer Price Index is a measure of \_\_\_\_\_\_\_\_\_.A. unemploymentB. inflationC. stagnationD. recession

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| *ANSWER:* | inflation |

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| 102. Your salary will be higher if you live in a(n).\_\_\_\_\_\_\_\_\_area.A. metropolitanB. overpopulatedC. industrialD. rural

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| *ANSWER:* | metropolitan |

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| 103. Heads of households who earn more annual income have better \_\_\_\_\_\_\_\_\_.A. social skillsB. educationC. political skillsD. health

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| *ANSWER:* | education |

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| 104. Our \_\_\_\_\_\_\_\_\_ is an important factor in determining how well we live.A. incomeB. marital statusC. creditD. deflation

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| *ANSWER:* | income |

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| 105. A person's \_\_\_\_\_\_\_\_\_ leads to increase in income potential in his or her career.A. formal educationB. social statusC. marital statusD. corporate loyalty

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| *ANSWER:* | formal education |

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