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| NGPF_LG.png | *Saving Unit*  *Unit Test* |

Saving Unit Test

1. The highest yielding savings accounts are paying historically low interest rates, so Maria is only able to get a 1% annual interest rate for her savings account. Assuming interest rates do not change, use the Rule of 72 to approximate how many years it will take for her to DOUBLE her money in this account?
   1. 1 year
   2. 5 years
   3. 10 years
   4. 72 years
2. If you deposit $200 into a CD (Certificate of Deposit) with an interest rate of 1% for 3 years, how much simple interest will you earn after THREE years?
   1. $1
   2. $5
   3. $6
   4. $25
3. Juan saved $1,000 from his summer job cleaning pools. Which of these savings vehicles would work best for him if he doesn't need access to the money for a number of years AND wanted to earn the highest interest rate?
   1. Regular savings account
   2. Money Market account
   3. Checking account
   4. Certificate of Deposit
4. You are comparing two savings accounts based on the interest you would earn and the fees they charge. Assuming you have a savings account with an average balance of $500, which combination of interest rates and fees are a better deal? (*Hint: Using a one year period, determine the balance that you would have at Bank A and Bank B*).
   1. Bank A offers you a savings account with a 10% annual interest rate and $5/month in fees
   2. Bank B offers you a savings account with 2% annual interest rate and no fees
   3. The two banks deals are equivalent
   4. Trick question -- it's a bad idea to open a savings account with just $500
5. Which of these statements about savings is incorrect?
   1. People often believe they are saving when they buy products at a listed discount, even if they didn't need the product in the first place
   2. It is extremely difficult to open a savings account, as you typically need at least $10,000 for your initial deposit
   3. Without a vehicle to save (like a savings account), it's much easier to spend and harder to keep track of finances
   4. Billions of dollars is spent on marketing to persuade consumers to spend money instead of saving it
6. To successfully open a savings account, which of the following is NOT required?
   1. Evidence of a job
   2. Minimum deposit (if applicable)
   3. A legal form of identification
   4. If under 18, a guardian's signature
7. You are 18 years old, opening your first savings account, and are considering three options: **BANK A** is not FDIC insured, has an interest rate of 5%, and a minimum deposit of $25. **BANK B** is FDIC insured, has an interest rate of 0.01%, and a minimum deposit of $50. **BANK C** is FDIC insured, has an interest rate of 0.02%, and a minimum deposit of $10,000. All three have fees competitive with other banks. Which bank is the best option?
   1. Bank A
   2. Bank B
   3. Bank C
   4. All 3 banks are equally good options
8. When a bank says their savings account earns 1% interest, that typically means you will earn 1% interest over what period of time?
   1. Daily
   2. Monthly
   3. Quarterly (three months)
   4. Annually (a year)
9. Stanley deposits $1,000 into a savings account that pays 1% interest per year. At the end of the first year, he's earned $10 in interest and there is $1,010 in the account. If the account has **simple interest**, the 1% interest for year two would be based off \_\_\_\_\_\_\_\_\_\_\_\_. If the account has **compounding interest**, the 1% interest for year two would be based off \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_.*(NOTE: The first choice goes in the first blank, the second choice goes in the second blank).*
   1. The original deposit ($1,000); The year one account balance ($1,010)
   2. The original deposit ($1,000); The year one interest ($10)
   3. The year one account balance ($1,010); The year one interest ($10)
   4. The year one account balance ($1,010); The original deposit ($1,000)
10. You open a new bank account at Eastside Savings. You see FDIC stickers around the bank, and the teller specifically mentions that Eastside Savings is "FDIC insured". A few months later, you hear on the radio that Eastside Savings is struggling to stay in business. Your savings balance is $500. What would happen to that money if Eastside Savings failed?
    1. You would receive all the money you have deposited at Eastside Savings since FDIC insurance covers accounts up to $250,000.
    2. You could lose $250 since FDIC insurance only covers 50% of the money you have deposited.
    3. You would lose all of your money.
    4. You would receive $250,000 since FDIC insurance provides each account at the bank with $250,000 regardless of how much they have deposited.
11. Which of the following are important factors to consider when opening a savings account?

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| **Yes** | **No** | **Statement** |
|  |  | Minimum deposit required to open account |
|  |  | Interest rate |
|  |  | Brand recognition |
|  |  | Fees |

1. Which of the following is an effective strategy for personal saving?
   1. Wait until the end of the month and save whatever is left in your checking account
   2. Save a certain percentage of each paycheck and deposit it directly in a savings account
   3. Cover all of your wants and needs and save whatever is left over
   4. Take out a payday loan so you can save before you receive your paycheck
2. Which of the following are valid reasons to save for an Emergency Fund?

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| **Yes** | **No** | **Statement** |
|  |  | Provides peace of mind |
|  |  | Keeps you out of debt by giving you money to cover unexpected expenses |
|  |  | Helps pay for your wants |
|  |  | Covers your expenses if you should lose your job |

1. Joelle wants to have an emergency fund to cover 6 months of her expenses. Her monthly gross pay is $4,000 and her monthly expenses are $2,000. If she plans to save 10% of her gross pay each month, how long will it take her to build her emergency fund?
   1. 3 months
   2. 9 months
   3. 24 months
   4. 30 months
2. Which of the following statements about banks is FALSE?
   1. If it is FDIC-insured, your money is safe even if the bank fails
   2. Many banks pay interest for the money you deposit with them
   3. Historically, savings accounts earn higher returns than investments in the stock market
   4. Money in a bank is usually easy to access via ATM, debit card or check
3. You are developing a savings plan and using short-, medium- and long-term goals to motivate you. Arrange the following goals from short-term to long-term:

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|  | Saving for retirement |
|  | Saving for a down payment on a home |
|  | Saving to buy a used car |

1. You want to take earnings from your part-time job to pay for a new laptop. Your monthly take-home pay is $500 and the laptop costs $1,200. What percentage of your pay do you need to save in order to buy the laptop in 12 months?
   1. 5%
   2. 10%
   3. 15%
   4. 20%
2. Assume Sid the Saver is earning 0.5% interest on his savings account while inflation is running 2% per year. Which statement below is TRUE?
   1. Sid's purchasing power is increasing by 0.5% per year
   2. Sid's purchasing power is increasing by 2.0% per year
   3. Sid's purchasing power is decreasing by 1.5% per year
   4. Sid's purchasing power is decreasing by 2.0% per year
3. TRUE or FALSE: The interest rate on your savings account will remain the same as long as you keep the account open.
   1. True
   2. False
4. All of the following are good strategies to develop savings habits EXCEPT...
   1. Start with a small goal and gradually get more ambitious
   2. Take a percentage of your paycheck and deposit it directly into a savings account
   3. Avoid spending money that you don't have and running up credit card debt
   4. Request to be paid in cash so you can store a certain percentage of your money in a shoebox in your room every month
5. Rank the following individuals based on their wealth, with the wealthiest individual first.

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|  | Maria owns a $15,000 car and owes $45,000 in student loan debt. |
|  | Keith owns a $500,000 home and has a $460,000 mortgage. |
|  | Elyse owns a $25,000 car that is entirely paid off but has $10,000 in credit card debt. |
|  | Karina owns a $50,000 car and has $5000 remaining on her car loan. |

1. Fill in the blanks using BANKING, NEEDS, WANTS, SAVING, or WEALTH.

If you follow the 50-30-20 rule of budgeting, you'll be putting 50% of your monthly income toward \_\_\_\_\_\_\_\_\_\_, 30% of your monthly income toward \_\_\_\_\_\_\_\_\_\_\_\_\_, and 20% of your monthly income toward \_\_\_\_\_\_\_\_\_\_\_.

1. Mark whether each statement below is an example of delayed gratification as it pertains to saving.

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| **Yes** | **No** | **Statement** |
|  |  | Using your credit card to afford a fancy vacation now, but not feeling happy about it until you pay off the entire debt in 5 years |
|  |  | Using your old smartphone until you've got enough money saved up to buy the newer model |
|  |  | Not buying a muffin or breakfast sandwich every morning during the workweek so you can buy a really nice breakfast for your family once every few weeks |
|  |  | Postponing your mall shopping trip to Sunday, rather than Saturday, so there are fewer crowds |
|  |  | Driving your rundown car from high school rather than buying a brand new car when you graduate from college, so you can make extra payments on your student loans before taking on a car loan |

1. Zola just secured her first job after college, and she's heard that it's important to start investing for her retirement. She can afford to put 5% of her monthly salary toward retirement. What type of account should she choose for this goal?
   1. IRA
   2. CD
   3. MMA
   4. HSA
2. Malcolm is working full-time and wants to make sure he's saving strategically for four specific goals: an emergency fund ($5000), a flight home to see his parents for the holidays ($450), a downpayment on a new car ($3000), and his retirement (2% of his monthly take-home pay). What's his best strategy?
   1. Put as much as he can every month into an investment, like shares of a company, so his money grows quickly
   2. Keep all the money in his checking account so that he can spend it in the different categories as needed
   3. Set up 3 separate savings accounts for the first 3 goals and a retirement investment for the 4th
   4. Set up 4 separate savings accounts