

Name: _____ Date: _____

Answer Key: Your Financial Future Junior Quiz

Junior level students identify essential building blocks for wealth accumulation including interest calculation, risk management, and smart borrowing habits.

1. Which of these is defined as the 'opportunity cost' of spending \$100 on a new pair of shoes today?

Answer: B) The \$100 plus potential interest those funds could have earned in a savings account

Opportunity cost represents the value of the next best alternative foregone when making a decision.

2. True or False: A standard savings account usually offers a higher interest rate than a long-term Certificate of Deposit (CD).

Answer: B) False

CDs typically offer higher interest rates because the depositor agrees to leave the money untouched for a set period.

3. The _____ is a legal document that outlines the terms, interest rates, and repayment schedule for a student loan.

Answer: B) Promissory Note

A promissory note is a signed document containing a written promise to pay a stated sum to a specified person or entity at a specified date.

4. If you are 'underwater' or have 'negative equity' on a car loan, it means:

Answer: B) You owe more on the loan than the car is currently worth

Negative equity occurs when the value of an asset falls below the balance of the loan used to purchase it.

5. True or False: Diversification in an investment portfolio is intended to reduce risk by spreading money across different types of assets.

Answer: A) True

Diversification helps protect a portfolio from significant losses if one specific investment or sector performs poorly.

6. The _____ is the yearly cost of borrowing money, including fees and interest, expressed as a percentage.

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Answer: C) Annual Percentage Rate (APR)

APR provides a more complete picture of the cost of a loan than the simple interest rate alone.

7. Which of the following would likely have the biggest positive impact on your credit score?

Answer: B) Making all bill payments on time, every time

Payment history is the most significant factor in determining an individual's credit score.

8. A _____ is a type of investment that represents partial ownership in a specific corporation.

Answer: C) Stock

Buying shares of stock means you own a small piece of that company's equity.

9. True or False: Your 'Net Pay' is the amount of money you actually take home after taxes and deductions are removed from your 'Gross Pay'.

Answer: A) True

Gross pay is the total earned; net pay is the 'disposable income' remaining after all withholdings.

10. Which financial tool is primarily designed to protect you against large, unexpected financial losses like a car accident or house fire?

Answer: B) An Insurance Policy

Insurance is a risk management tool that transfers the risk of a financial loss from an individual to an insurance company.