

Name: _____ Date: _____

Answer Key: Hack Your Future: Managing Your Money (Grade 10)

Move past simple math into complex financial analysis of opportunity costs, tax implications, and the psychological traps of consumer credit.

1. If you receive a \$2,000 graduation gift and choose to put it in a Certificate of Deposit (CD) rather than an index fund, what economic concept represents the potential returns you gave up from the index fund?

Answer: B) Opportunity Cost

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

2. A 'bear market' refers to a period where stock prices are rising and consumer confidence is high.

Answer: B) False

A bear market is defined by falling prices and pessimism; a 'bull market' is characterized by rising prices.

3. In the United States, the ____ is the specialized agency that protects investors and maintains fair, orderly, and efficient markets.

Answer: C) Securities and Exchange Commission (SEC)

The SEC is the primary federal regulator of the U.S. capital markets.

4. Which of these is a 'regressive tax,' meaning it takes a larger percentage of income from low-income earners than from high-income earners?

Answer: C) State Sales Tax

Since everyone pays the same percentage at the register, that amount represents a larger portion of a lower-income person's total wealth.

5. The time value of money (TVM) suggests that a dollar received today is worth more than a dollar received one year from now.

Answer: A) True

Due to potential earning capacity (interest) and inflation, money available now is more valuable than the same amount in the future.

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6. If you are comparing two car loans, one with an APR of 4% and one with an EAR (Effective Annual Rate) of 4.2%, which is the more accurate measure of the total cost of borrowing?

Answer: B) EAR, because it accounts for the effects of compounding

EAR provides a more accurate picture of interest because it accounts for how often interest is applied to the balance.

7. When an investor buys a piece of a company's debt, effectively acting as a lender, they are purchasing a ____.

Answer: B) Bond

Bonds are debt instruments; the investor is the creditor and the issuer is the debtor.

8. Which factor has the most significant impact on your FICO credit score calculation?

Answer: C) Payment History

Payment history accounts for approximately 35% of a credit score, making it the most influential factor.

9. Diversification is a strategy used to eliminate all possible risk from an investment portfolio.

Answer: B) False

Diversification reduces 'unsystematic risk' (specific to a company or industry) but cannot eliminate 'market risk' (systemic economic downturns).

10. The ____ is the phenomenon where a person feels they have 'ownership' over an item and therefore values it more highly than its market worth.

Answer: B) Endowment Effect

The Endowment Effect is a behavioral economics concept where individuals value things more simply because they own them.