

Name: _____ Date: _____

Compound Interest vs. Inflation: 9th Grade Economics Quiz

Students calculate real returns and analyze how predatory lending cycles impact long-term wealth building through interactive scenario-based inquiries.

1. A typical payday loan carries an Annual Percentage Rate (APR) of 400%, while a standard credit card might charge 20%. If an individual carries a \$500 debt, why is the payday loan considered 'predatory' in a cycle of poverty?

- A. It requires the borrower to have a high credit score.
- B. The high interest and short terms often force borrowers to take new loans to pay off old ones.
- C. Payday loans are backed by the federal government's gold reserves.
- D. The interest is tax-deductible for the borrower.

2. If the annual inflation rate is 5% and your savings account earns 2% interest, the 'purchasing power' of your money is actually decreasing over time.

- A. True
- B. False

3. To protect against unforeseen events like a sudden medical bill or auto repair without using high-interest credit, a person should establish a(n) _____.

- A. Speculative Portfolio
- B. Fixed Asset Account
- C. Emergency Fund
- D. Certificate of Deposit

4. When considering 'Opportunity Cost,' what is the financial implication of a 15-year-old spending \$1,200 on a high-end gaming PC instead of placing it in a Roth IRA?

- A. The lost potential of compound interest over the next 50 years.
- B. The immediate increase in the student's credit score.
- C. A guaranteed tax refund the following year.
- D. The depreciation of the US Dollar against the Euro.

5. Which of these is a 'Variable Expense' that a high school student can most easily adjust to balance a monthly budget?

- A. A monthly flat-rate bus pass
- B. Subscription to a streaming service
- C. Dining out with friends
- D. Car insurance premiums

6. Diversification is an investment strategy used to manage _____ by spreading money across various asset classes like ETFs, Real Estate, and Commodities.

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- A. Liquidity
- B. Risk
- C. Inflation
- D. Taxation

7. Using a Debit Card can help you build a credit history and improve your credit score for future home loans.

- A. True
- B. False

8. How does a 'FICO Score' impact a consumer's long-term wealth building?

- A. High scores lead to lower interest rates on loans, saving thousands in interest.
- B. Low scores provide access to exclusive government grants.
- C. It determines the amount of income tax a person must pay.
- D. It acts as a guarantee that the stock market will not crash.

9. The 'Rule of 72' is a sociological and mathematical shortcut used to estimate the number of years required to _____ an investment at a fixed annual interest rate.

- A. Liquidate
- B. Double
- C. Tax
- D. Diversify

10. The 'Time Value of Money' concept suggests that \$100 received today is worth more than \$100 received five years from now.

- A. True
- B. False