

Name: _____ Date: _____

Answer Key: Could Your Financial Strategy Survive? Personal Finance Quiz for College Students

Will high inflation erode your savings? Identify the core principles of liquidity, revolving credit, and long-term capital appreciation.

1. Which of the following refers to the ease with which an asset, such as a money market account, can be converted into cash without significant loss of value?

Answer: B) Liquidity

Liquidity is a fundamental economic concept describing how quickly an investment can be turned into spendable currency.

2. A steady rise in the general level of prices, which reduces the purchasing power of your money over time, is known as ____.

Answer: C) Inflation

Inflation is the economic reality that money loses value over time, making it a critical factor in long-term financial planning.

3. Compound interest allows an individual to earn interest on both the principal amount and the interest already accumulated from previous periods.

Answer: A) True

Compound interest is essentially 'interest on interest,' which is the primary driver of logarithmic wealth growth over long horizons.

4. In the context of the '50/30/20' rule, which category should include a student's mandatory monthly health insurance premiums?

Answer: D) Needs

Within budget scaffolding, health insurance is considered a non-discretionary 'need' required for financial and physical security.

5. When an individual carries a balance on a credit card from month to month, they are participating in a type of ____ credit.

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Answer: B) Revolving

Revolving credit allows for repeated borrowing and repayment cycles, unlike installment loans which have a fixed end date.

6. A higher deductible on an auto insurance policy typically results in a lower monthly premium payment.

Answer: A) True

In insurance economics, accepting more personal risk (higher deductible) reduces the insurer's liability, resulting in a lower premium.

7. Which document is used by employers to determine the correct amount of federal income tax to withhold from an employee's paycheck?

Answer: A) W-4 Form

The W-4 is a foundational tax document filled out by employees to signal their filing status and withholding preferences.

8. The total value of all of an individual's assets (what they own) minus their total liabilities (what they owe) is called their ____.

Answer: B) Net Worth

Net worth is the most comprehensive metric for measuring an individual's financial health and accumulated wealth.

9. If an investor purchases a share of a corporation, they have acquired a portion of ____ in that company.

Answer: C) Equity

Stocks represent equity, meaning ownership. This differs from bonds, which represent debt or a loan to the organization.

10. A credit score is exclusively used by banks for mortgage approvals and is never reviewed by landlords or employers.

Answer: B) False

Credit reports are frequently used as formative assessments of reliability by landlords for rentals and occasionally by employers for sensitive positions.

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