

Name: _____ Date: _____

Will You Be a Millionaire? 8th Grade Personal Finance Quiz

Compound interest, risk-reward ratios, and debt management — 10 critical challenges to help students build a foundation for long-term economic independence.

1. Imagine you have \$1,000 in a savings account that earns 5% interest annually. If you never touch the money, why will you earn more interest in Year 2 than you did in Year 1?

- A. The bank increases your interest rate as a loyalty reward.
- B. Compound interest allows you to earn money on your original deposit plus the interest from Year 1.
- C. Inflation naturally increases the value of the dollars in your account.
- D. The Federal Reserve mandates higher payouts for long-term accounts.

2. A higher credit score usually leads to paying a higher interest rate when borrowing money for a car or a house.

- A. True
- B. False

3. When an investor spreads their money across many different types of assets like stocks, bonds, and gold to reduce risk, they are using the strategy of _____.

- A. Speculation
- B. Arbitrage
- C. Diversification
- D. Consolidation

4. Which of these is considered a 'variable expense' in a monthly household budget?

- A. A monthly rent payment for an apartment
- B. A flat-fee subscription to a streaming service
- C. The cost of electricity and heating for the home
- D. A fixed-rate monthly car insurance premium

5. If you are 'upside down' on a loan, it means your _____ is greater than the current market value of the item you bought.

- A. Interest rate
- B. Credit limit
- C. Principal balance
- D. Down payment

6. A Certificates of Deposit (CD) typically offers a higher interest rate than a standard savings account but requires you to leave your money untouched for a set period.

- A. True

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B. False

7. Which of the following describes the relationship between 'risk' and 'return' in investing?

- A. The lower the risk, the higher the potential return.
- B. Risk and return are unrelated in modern markets.
- C. Investors usually demand higher potential returns for taking on higher risks.
- D. Safe investments like savings accounts have the highest potential for wealth growth.

8. The 'Rule of 72' is a mathematical shortcut used to estimate how long it will take for your _____ to double at a fixed annual interest rate.

- A. Credit score
- B. Investment
- C. Tax refund
- D. Debt-to-income ratio

9. If you only pay the 'minimum balance' on a credit card each month, what is the most likely outcome?

- A. You will pay off the debt quickly because the payments are small.
- B. The credit card company will waive all interest charges.
- C. You will pay much more than the original price of your purchases due to interest.
- D. Your credit limit will automatically double every six months.

10. Inflation benefits savers by increasing the purchasing power of the money they have stored in the bank over long periods of time.

- A. True
- B. False