

Personal Financial Literacy

Answer Keys



OKLAHOMA
Education



Oklahoma
COUNCIL ON ECONOMIC EDUCATION



Introduction: Economic Reasoning Answer Key

Making Choices

Student answers will vary; check them for reasonable responses that align with the concepts.

Case Study: What Should the Jones Family Do?

1. The Jones family has one lot to sell and three different parties are interested in buying it.
2. Answers will vary.
3. Answers will vary; however, answers should reflect the various incentives and disincentives used in the case study.
4. Answers will vary; students should address issues with local laws and regulations, tax structures, local customs, etc.
5. Answers will vary; students should discuss potential problems with traffic flow, influx of people, etc.
6. Conclusions for the best decision will vary; answers should include economic reasoning terms.

Using the PACED Decision-Making Model

Answers will vary; should follow the format used in the lesson.

Economic Reasoning Assessment

1. We make choices because we cannot have everything we want; there is a scarcity problem.
2. Scarcity means people have (society has) unlimited wants and limited resources to meet those wants.
3. Steps in the PACED Model:
 - a. P = State the PROBLEM.
 - b. A = List the ALTERNATIVES.
 - c. C = Identify the CRITERIA.
 - d. E = EVALUATE the options, based on the criteria.
 - e. D = Make a DECISION.



4. Going to the mall is the opportunity cost because you chose to go to the movie.
5. People prefer incentives because incentives are rewards; disincentives are a form of punishment.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.





Standard 1: Earning An Income

Answer Key

LESSON 1.1: Jobs vs Careers

Jobs vs Careers Lesson Assessment

1. Student answers will vary; check them for reasonable responses that align with the concepts.
2. Student answers will vary; check them for reasonable responses that align with the concepts.
3. Answers will vary – most should include options such as getting an education or additional training, volunteering, taking a part-time job, etc.
4. Answers will vary – most should include something related to a better quality of life/standard of living, access to more jobs, increased income, etc.

Calculating Annual Income Activity 1.1A

1. Total population over age 25

	Average Income	Increase
Less than HS	\$25,876	-----
High school graduate	\$31,956	6,080
Some college or Associate’s degree	\$38,125	6,169
Bachelor’s degree	\$56,344	18,219
Profession or Doctorate degree	\$75,495	19,151

2. Males over age 25

	Average Income	Increase
Less than HS	\$30,725	-----
High school graduate	\$38,906	8,181
Some college or Associate’s degree	\$46,610	7,704
Bachelor’s degree	\$69,201	22,591
Profession or Doctorate degree	\$93,998	24,797



3. Females over age 25

	Average Income	Increase
Less than HS	\$20,046	-----
High school graduate	\$25,829	5,783
Some college or Associate's degree	\$31,644	5,815
Bachelor's degree	\$47,895	16,251
Profession or Doctorate degree	\$63,912	16,019

4. Answers will vary; however, students should notice an overall increase in income as the level of education increases. It does increase more for males than for females for various reasons. Might be a good discussion or research for reasons why wages vary for males and females or why wages vary for people of color, different careers, etc. Most research shows male/female discrepancies are based on some of the following factors: women tend to stop and restart careers when they have families/children (interruptions may mean starting over or reduced productivity from "outdated" skills); women often choose service-oriented careers that are lower paying or offer more flexible scheduling; women may undervalue their own skills more than males, discrimination in the job place, etc.

5. Entire lifetime of earnings

	Average Income	Increase	Increase x 10
Less than HS	\$25,876	-----	-----
High school graduate	\$31,956	6,080	60,800
Some college or Associate's degree	\$38,125	6,169	61,690
Bachelor's degree	\$56,344	18,219	182,190
Profession or Doctorate degree	\$75,495	19,151	191,510

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



Standard 1: Earning An Income

Answer Key

LESSON 1.2: Paying for a Post-Secondary Education

Paying for Post-Secondary Education Assessment

1. FALSE because most post-secondary options are eligible for student loans, scholarships, and other various types of financial support that require the FAFSA application.
2. FALSE because most types of student financial aid require the FAFSA application.
3. FALSE because the financial aid officer puts together the package of what is available and student/parents makes the final determination about how much financial aid to receive.
4. FALSE because loans are only ONE option available to pay for a post-secondary education.

Comparing Costs of Post-Secondary Education Options Activity 1.2A

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



Standard 1: Earning An Income Answer Key

LESSON 1.3: Income and Taxes

Income and Taxes Assessment

1. Gross income is the total income earned; net income is the “take home” pay after deductions for taxes and the costs paid by the employee.
2. Answers will vary – most common answers would be taxes, health insurance, Social Security, Medicare, etc.
3. Answers will vary – most common answers would be retirement contributions, additional health or life insurance, meals in company dining facilities, etc.
4. FICA stands for Federal Insurance Contributions Act; includes Social Security and Medicare tax.

Paycheck Deductions Activity 1.3A

Part A: Lawns R Us

1. Lawns R Us
2. \$294.00 for the current pay period or \$3,592.00 for the year to date
3. \$6 per hour ($\$240/40$)
4. Federal Tax, State Tax, FICA, and Meals
5. 75% Rounded to nearest % ($\$219.43/\$294.00 = 0.746$)
6. Federal Tax: 15% ($\$42.65/\$294.00 = 0.1450$)
State Tax: 3% ($\$8.67/\$294.00 = 0.2948$)
FICA: 6% ($\$16.25/\$294.00 = 0.0552$)

Part B: Best Coffee Shop

1. 8/9/2020 to 8/15/2020
2. \$372.01



3. \$5.00
4. \$296.26
5. 79% Rounded to the nearest % ($\$296.26/\$374.00 = 0.7921$)
6. Federal Tax: 8% ($\$30.75/\$374.00 = 0.0822$)
State Tax: 3% ($\$9.50/\$374.00 = 0.0254$)
FICA: 6% ($\$22.49/\$374.00 = 0.0601$)

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



Standard 1: Earning An Income

Answer Key

LESSON 1.4: Goal Setting

Goal Setting Assessment

1. b (Goal Setting)
2. e (Long-Term Goals)
3. a (Goal)
4. d (Medium-Term Goals)
5. c (Short-Term Goals)

Goal Setting Practice Activity 1.4A

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Setting Goals for Life Activity 1.4B

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



Standard 1: Earning An Income

Answer Key

LESSON 1.5: Managing Your Income

Budgeting Assessment

Part A: Brief Explanation

1. **Fixed Expense:** Expenditures that are the same from week to week or month to month, such as mortgage or rent payments and car payments.
2. **Variable Expense.** Expenditures that change from week to week or month to month--for food, clothing, recreation, and entertainment, for example.
3. **Budget.** A spending-and-savings plan, based on estimated income and expenses for an individual or an organization, covering a specific time period.

Part B: Answer the Questions

1. The purpose of a budget is to set up a spending plan to ensure that you can meet your personal goals.
2. Answers will vary; the most common answers should include considering your personal needs, your personal goals, your income, your overall expenses, etc.

Budget Practice Activity 1.5A

Part A: Marji's Spending Plan

FIXED EXPENSES	Weekly	Monthly
Cell phone		\$32
Gasoline for car	\$18	\$72
Savings	\$10	\$40
School lunches	\$15	\$60
VARIABLE EXPENSES		
Clothing, etc.	\$20	\$80
Coffee	\$48	\$192
Downloads	\$10	\$40



Entertainment with friends	\$25	\$100
Gifts	\$5	\$20
Personal care items	\$15	\$60
Snacks	\$12	\$48
TOTALS	\$178	\$744

Part B: Marji’s Adjusted Spending Plan

Allowance/Income per week: \$160

Allowance/Income per month: \$640

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson. Note: students will often recommend eliminating most or all “fun” items from a budget but that’s generally not a good idea; people need to budget something for “fun” items or they probably will not stick to their budget/spending plan.

Part C: Explain Your Choices

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Spending Log Activity 1.5B

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.





Standard 2: Taxes Answer Key

LESSON 2.1: Somebody Has to Pay

Taxes: Somebody Has To Pay Assessment

1. Tax Scenarios

- a. Progressive
- b. Regressive
- c. Regressive
- d. Progressive
- e. Progressive

2. Public goods or services paid for by taxes. (*could be either)

Roads and Highways	Military	Zoos
Fire Protection	Your House	Schools*
Shopping Center	Parks*	Restaurants
Water/Sewer Service	Trash Pickup*	

3. One who enjoys the benefits of a good or service without paying for it.

Calculating Taxes Activity 2.1

Julia would be taxed 10 percent on the first \$7,825, 15 percent on the next \$24,025, 25 percent on the next \$45,250, and 28 percent on the last \$2,900 for a total of \$16,510.75 in federal taxes.

	$\$7,825 \times 0.10 =$	$\$782.50$
$\$31,850 - \$7,825 =$	$\$24,025 \times 0.15 =$	$\$3,603.75$
$\$77,100 - \$31,850 =$	$\$45,250 \times 0.25 =$	$\$11,312.50$
$\$80,000 - \$77,100 =$	$\$2,900 \times 0.28 =$	$\$812.00$
		<u>$\\$16,510.75$</u>

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



Standard 2: Taxes

Answer Key

LESSON 2.2: Voluntary Compliance

Taxes: Voluntary Compliance Assessment

1. d - Controlling how their tax dollars are spent
2. d - Forcing your children to pay your tax burden
3. a - Voluntary compliance
4. b - April 15
5. c - provide services that improve our quality of life

Civic Duties and Taxes Activity 2.2A

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Voluntary Compliance Activity 2.2B

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.





Standard 3: Finding Financial Services

Answer Key

LESSON 3.1: Finding Financial Services

Finding Financial Services Assessment

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Making A Financial Match Activity 3.1A

Financial Institution to Services match

- | | |
|------------------------|--------------------|
| C Bank | B Investment Bank |
| E Credit Card Company | G Credit Union |
| F Insurance Company | D Mortgage Company |
| A Stock Brokerage Firm | H Stock Brokers |

Which financial institution and/or services would you use...

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Finding Financial Services Activity 3.1B

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.





Standard 4: Managing a Bank Account

Answer Key

LESSON 4.1: Tracking Your Money

Tracking Your Money Assessment

1. a – Deposit slip
2. b – Reconcile your account
3. a – Date of transaction
4. b – Brief explanation of transaction
5. b – It is no big deal to pay overdraft fees or make a habit of writing checks without money in your account, everybody does it.

Your Check Register Activity 4.1

<u>Check#</u>	<u>Date</u>	<u>Transaction</u>	<u>Debit</u>	<u>Credit</u>	<u>Balance</u>
	4/12				\$517.06
415	4/15	Great Department Store	\$42.39		\$474.67
416	4/16	Talk-e-Talk	\$67.25		\$407.42
416	4/16	My School	\$35.00		\$372.42
	4/16	ATM Withdrawal	\$25.00		\$347.42
418	4/16	All-Around Car Insurance	\$125.00		\$222.42
	4/20	My Job		\$156.38	\$378.80

Review deposit slips and checks for accuracy.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.





Standard 5: Saving and Investing

Answer Key

LESSON 5.1: Getting Started

Getting Started Assessment

1. Classify the following items as very liquid (L) or not very liquid (N).
 - N - A baseball card collection
 - L - A checking account at your bank
 - N - Your car
 - N - A five-year CD
 - N - A 90-day CD
2. What you would do/have if you didn't make the choice you did; your second best choice
3. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.
4. Savings: The process of setting income aside for future spending. Saving provides ready cash for emergencies and short-term goals, and funds for investing.

Investing: Purchasing securities such as stocks, bonds, and mutual funds with the goal of increasing wealth over time, but with the risk of loss.

Getting Started Activity 5.1

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



Standard 5: Saving and Investing Answer Key

LESSON 5.2: The Rule of 72

The Rule of 72 Assessment

1. C 9%
B 7.2%
D 6%
A 4.3%
2. d - \$118
3. b – Compound
4. d – Principle

Comparing Simple and Compound Interest Activity 5.2

1. Compound interest earns more in the long-run than simple interest.
Year 1 - \$110.00 vs \$110.00 (difference = \$0.00)
Year 2 - \$120.00 vs \$121.00 (difference = \$1.00)
Year 3 - \$130.00 vs \$133.10 (difference = \$3.10)
2. Compound interest allows you to earn interest on your interest plus principle. Simple interest only pays interest on the principle.
3. Money would double in 7.2 years ($72/10=7.2$)

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



Standard 5: Saving and Investing Answer Key

LESSON 5.3: Saving and Investing Strategies

Saving and Investing Strategies Assessment

1. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.
2. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.
3. Savings usually implies short-term, liquid accounts while investing is generally long-term and less liquid. Because of the time value of money (looking at the length of time that money will be invested and not available for immediate use), investments have a higher potential rate of return.
4. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Saving and Investing Strategies Activity 5.3

Part A: Terms in correct category

<u>Savings</u>	<u>Investing</u>
Certificates of Deposit	Corporate Bonds
Savings Accounts	Money Market Mutual Funds
Savings Bonds	Mutual Funds
	Stocks

Part B. Definition/Description, one benefit, and one cost

1. Certificate of Deposit

Definition/Description: A certificate issued by a bank to a person depositing money for a specified length of time.

Answers for benefits and costs will vary; some suggested answers include:

Benefits: Can start with a small amount; easy to set up and manage; can be easily added at a local financial institution, may be able to use it as collateral for loans.

Costs: Low interest rates; funds are committed to set a time with fixed interest rates.

2. Corporate Bonds

Definition/Description: A certificate of indebtedness issued by a publicly held corporation, promising to repay borrowed money to the lender at a fixed rate of interest and at a specified time.



Answers for benefits and costs will vary; some suggested answers include:

Benefits: May have good rate of return for relatively lower levels of risk; guaranteed rate of return

Costs: May be locked into low rates of return during inflation; may require a broker or brokerage account, with additional fees

3. Money Market Mutual Funds

Definition/Description: A kind of mutual fund that invests in highly liquid, near-term instruments. These instruments include cash, cash equivalent securities, and high-credit-rating, debt-based securities with a short-term maturity (such as U.S. Treasuries).

Answers for benefits and costs will vary; some suggested answers include:

Benefits: May have good rate of return for relatively lower levels of risk; easy and inexpensive to manage; usually has a professional manager; can start with a relatively small amount of money.

Costs: Often has a lower rate of return than other investments; may require a broker or brokerage account, with additional fees.

4. Mutual Funds

Definition/Description: A pool of money used by a company to purchase a variety of stocks, bonds, or money market instruments. Provides diversification and professional management for investors.

Answers for benefits and costs will vary; some suggested answers include:

Benefits: May have good rate of return for relatively lower levels of risk; easy and inexpensive to manage; usually has a professional manager; can start with a relatively small amount of money.

Costs: Often has a lower rate of return than other investments; may require a broker or brokerage account, with additional fees.

5. Savings Account

Definition/Description: An interest-bearing account at a financial institution.

Answers for benefits and costs will vary; some suggested answers include:

Benefits: Easy to open and manage; usually has no fees and low minimum to start; can be linked to a checking account for instant transfers; available at most financial institutions.

Costs: Tends to have low interest rates, often earning less than inflation; easy access to funds may make it too easy to spend on a whim.

6. Savings Bonds

Definition/Description: A specific type of certificate of indebtedness issued by the government, promising to repay borrowed money to the lender at a fixed rate of interest and at a specified time.

Answers for benefits and costs will vary; some suggested answers include:

Benefits: Minimal risk; guaranteed rate of return; easy to purchase; low cost.

Costs: May be locked into low rates of return during inflation.



7. Stocks

Definition/Description: Shares of ownership in a corporation.

Answers for benefits and costs will vary; some suggested answers include:

Benefits: May have good rate of return; usually able to buy and sell relatively easy with a broker or brokerage account; tends to earn higher than inflation, on the average.

Costs: Can be relatively high risk; no guarantees; requires a broker or brokerage account, with additional fees.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson



Standard 5: Saving and Investing

Answer Key

LESSON 5.4: Time is Money

Time is Money Assessment

1. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.
2. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.
3. Savings usually implies short-term, liquid accounts while investing is generally long-term and less liquid. Because of the time value of money (looking at the length of time that money will be invested and not available for immediate use), investments have a higher potential rate of return.
4. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson. In general, students should agree with this statement.

Financial Planning: You Decide Activity 5.4

1. Client 1: Joanne needs short-term savings for emergencies and investments for her children's education.
2. Client 2: Fransisco and Maria should save for a vacation, probably using a savings account.
3. Client 3: Frank should save for the prom, probably using savings account.
4. Client 4: MJ should save for her car, probably using a savings account.



Standard 5: Saving and Investing

Answer Key

LESSON 5.5: Managing Monetary Risks

Managing Monetary Risks Assessment

1. Market risk is the potential that your investment will be worth less tomorrow than it is today because prices or values have dropped.
2. A financial risk is the potential that the business you invest in goes bankrupt or fails to make a profit.
3. Inflation risk says the price you pay for goods and services rise faster than the rate of return on your investment.
4. Fraud risk is the potential that someone either deceives or tricks you into investing in something where you get nothing in return.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson





Standard 6: Retirement Planning Answer Key

LESSON 6.1: Planning for Your Retirement

Planning for Your Retirement Review

- 1. Social Security**
A federal system of old-age, survivors', disability, and hospital care (Medicare) insurance which requires employers to withhold (or transfer) wages from employees' paychecks and deposit that money in designated accounts.
- 2. 401K**
A retirement plan that allows employees in private companies to make contributions of pre-tax dollars to a company pool that is then invested in stocks, bonds, or money markets.
- 3. Annuity**
A contract between an individual and an insurance company (or an entity representing those individuals such as a teacher retirement plan) where the individual makes a series of payments that are invested by the company and repaid to the individual at a later date, generally during retirement.
- 4. Traditional IRA**
An account in which an individual may set aside earned income in a tax-deferred savings plan for his or her retirement.
- 5. Roth IRA**
With a Roth, you pay personal income taxes on your earnings before placing it in your IRA account. Because you pay the taxes upfront, you will not pay any taxes when you withdraw the money at a future date.

Retirement Plans Activity 6.1A

Answers will vary; following are suggested responses.

- 1. Plans pay the retiree monthly annuity payments that continue for life.**

Employer funded.
- 2. The employer may choose to match a portion of the employee's contributions or to contribute without employee contributions.**

The retiree may transfer the account balance into an individual retirement account.



3. If an employee leaves before his or her retirement age, the benefit generally stays with the plan until he or she files a claim for it at retirement; cannot take the money early if it is needed. Employee has no say in how funds are invested.
4. No Federal guarantee of benefits – something may happen to the plan and you won't get your benefits
5. Both are retirement plans

Retirement Plans Activity 6.1B

Step 1: $\$60,000 \times 0.07 = \$4,200$ (employer maximum match)

Step 2: $\$4,200 + \$4,200 = \$8,400$ (total amount added annually)

Step 3: $\$8,400 / 12 = \700 (monthly amount donated)

Step 4: $\$700 / 2 = \350 (your monthly contribution)
could also do $\$4,200 / 12 = \350

Step 5: Employer raises maximum match to 10%

A. $\$60,000 \times 0.10 = \$6,000$ (new amount contributed by your employer)

B. $\$6,000 - \$4,200 = \$1,800$ (total amount you are losing each year)

Employer changes this percentage after you have worked there for 10 years.

$\$1,800 \times 30 \text{ years} = \$54,000$ plus all interest for 30 years

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



Standard 6: Retirement Planning

Answer Key

LESSON 6.2: Longevity and Retirement

Longevity and Retirement Review

1. c - Life expectancy today is continuing to increase.
2. a - All of the below are correct.
3. c - You wait until later in life to start investing for retirement.
4. a - You are likely to live about one-third of your life in retirement.
5. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Analyzing Your Retirement Needs Activity 6.2

1. Answers will vary based on the year students were born.
2. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.
3. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson. Most students should agree that longevity will continue to increase as medical advanced continue.
4. Answers will vary based on the year students were born.
5. NOTE: no question 5 due to numbering error that will be corrected in the next revision
6. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.
7. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.
8. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.
9. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



10. Determine whether or not the event could cause your account value to increase or decrease.
- A. INCREASE (unless interest rates soar above 8%)
 - B. DECREASE
 - C. DECREASE
 - D. INCREASE
 - E. DECREASE
 - F. INCREASE

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.





Standard 7: Borrowing Money

Answer Key

LESSON 7.1: Remember the Interest

Remember the Interest Review

1. Answers may vary but should reflect the following:

Secured – credit with collateral (i.e., a house or a car) for the lender; lender has less risk in getting something in return for the loan.

Unsecured – credit without collateral, such as credit cards; creditor is taking a greater risk of losing the money if you fail to make the payments

2. Answers may vary but should reflect the following:

Secured – credit with collateral (i.e., a house or a car) for the lender; lender has less risk in getting something in return for the loan.

Unsecured – credit without collateral, such as credit cards; creditor is taking a greater risk of losing the money if you fail to make the payments.

- | | |
|---------------------------|-----------------|
| 3. Credit card | Installment |
| Make one lump sum payment | Non-installment |
| Cable bill | Non-installment |
| Mortgage | Installment |

4. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

5. Answers may vary but should reflect the following:

A type of contract between the borrower and the lender explaining the requirements of fulfilling the loan. Both the borrower and the lender will know what is expected of them. If someone doesn't follow the agreement, the consequences are spelled out or the court can decide what happens.

Remember the Interest Activity 7.1A

Suggested order, but answers will probably vary based on students' explanations.

- Home Loan
A house tends to increase in value and will be worth more when we want to sell it.



2. **Student Loan**
Investing in a college education increases potential earnings; however, saving for a college education reduces the need for student loans.
3. **Auto Loan**
Even though most people get a loan to pay for a car, they could save up the money and pay cash avoiding the extra interest paid on something that declines in value.
4. **Refinance Loan**
Refinancing a mortgage reduces payments and saves money in the long-run as long as the reduction in interest is sufficient to cover the cost of refinancing and the owner is planning to continue owning the property for an extended period of time.
5. **Home Equity Loan**
Borrowing against a home is high risk, unless the owners are remodeling or making major repairs because failing to make the payments may result in losing their home and having no place to live.
6. **Personal Loan**
Saving money for emergencies, vacations, and other purchases is a much better option. Personal loans tend to have high interest rates, which greatly increases the cost of the purchase.

Borrow, Do Not Borrow Activity 7.1B

Following are suggested answers. Student responses may vary depending upon their individual situations; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

1. **Do Not Borrow**
This is a want.
2. **Borrow**
This is a need.
3. **Do Not Borrow**
This is a want.
4. **Do Not Borrow**
This is a want.
5. **Do Not Borrow**
You will only create more debt.
6. **Do Not Borrow**
This is a want.



7. Borrow

This is an investment in your future. Or, you may look at other colleges to find something less expensive that will still meet your educational needs – even if it's not your favorite place.

8. Borrow

Buying a home is generally considered a good investment and few people have sufficient savings to pay cash for a home. In some cases, it may even be less expensive to own than to rent.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



Standard 7: Borrowing Money

Answer Key

LESSON 7.2: It's in Your Interest

It's in Your Interest Assessment

1. a - Payday Loan Companies
2. c - The annual interest rate divided by 365
3. b - The lowest amount you are required to pay each month
4. b - vary depending upon several factors.
5. d - Credit cards are loans that need to be repaid.

Types of Lenders Activity 7.2

1. C Commercial Banks
2. H Credit Unions
3. A Consumer Finance Companies
4. F Sales Finance Companies
5. E Life Insurance Companies
6. B Brokerage Firm
7. D Pawn Brokers
8. G Payday Lenders

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



Standard 7: Borrowing Money

Answer Key

LESSON 7.3: Your Credit Score

Your Credit Score Assessment

1. An establishment that collects and distributes credit history information of individuals
2. FICO scores are simply a way of standardizing your credit scores, making them easier for potential lenders or creditors to understand.
3. A higher credit score shows you pay your bills on time, you are a responsible individual, and you show maturity when making important decisions.

Lower credit scores indicate you are a high risk choice as a potential borrower, renter, or employee.

4. They are more likely to make their payments because they are a better credit risk and have a better payment history.
5. You have a right to file a dispute with the credit bureau. Disputes can be filed online, by phone, or by certified letter.

Making A Loan Activity 7.3

Matt – No

Explain: Not a good risk because he hasn't shown much personal responsibility or good money management skills, and he has no credit history. Lending for a new business is also high risk.

Meredith – Yes

Explain: As long as she has sufficient income to make the additional payments. While she has a good credit history and has demonstrated good money management skills, she may be taking on too much debt.

Al – Yes

Explain: He seems like a good risk and the motorcycle will serve as collateral.

Rhoda – Yes

Explain: She has a good credit history and seems to have a manageable level of debt.

Hong – No.

Explain: He has a high level of debt and seems like a high risk.



Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



Standard 7: Borrowing Money

Answer Key

LESSON 7.4: Consumer Credit Legislation

Consumer Credit Legislation Assessment

1. G (Consumer Credit Reporting Reform Act)
2. E (Electronic Fund Transfer (EFT) Act)
3. B (Fair Credit Reporting Act)
4. A (Truth in Lending Act)
5. C (Fair Credit Billing Act)

Resolving Consumer Problems Activity 7.4

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



Standard 7: Borrowing Money

Answer Key

LESSON 7.5: Student Loans

Student Loans Assessment

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.





Standard 8: Credit Cards and Online Shopping Answer Key

LESSON 8.1: Credit Cards: More Than Plastic

Credit Cards: More Than Plastic Review

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Comparing Credit Cards Activity 8.1

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



Standard 8: Credit Cards and Online Shopping Answer Key

LESSON 8.2: Shopping Online

Shopping Online Assessment

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Online or In-Store? Activity 8.2

1. Either answer may be correct, especially with today's delivery options; however, it may cost more to order for an immediate shipment than purchasing local. It also depends on your location and local store availability.
2. ONLINE because it may be easier to find what you want – but may also be available locally after an online search.
3. Either answer may be correct. It could be easier and less expensive online, but not always (especially when paying shipping costs.)
4. LOCAL because you can get it right now.
5. LOCAL to be sure they fit correctly. However, online may provide more options, especially if you are familiar with a certain brand or style of shoe.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.





Standard 9: Fraud and Identity Theft Answer Key

LESSON 9.1: Beware! Consumer Fraud

Beware! Consumer Fraud Assessment

1. a - Bait and Switch
2. a - Taking the time to do careful research
3. d - Calling the State Attorney General's office for advice
4. c - Anyone can become a victim of fraud.

Consumer Fraud Word Scramble Activity 9.1

Federal Trade Commission
Fraud
Bait N Switch
Bankruptcy
Confidence Trick
Embezzlement
False Advertising
False Billing
Forgery
Health Fraud
Identity Theft
Insurance Fraud
Marriage Fraud
Ponzi Scheme
Security Fraud

Identity Theft

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



Standard 9: Fraud and Identity Theft Answer Key

LESSON 9.2: Beware! Identity Theft

Beware! Identity Theft Assessment

1. Using a person's name or personal information without the person's permission
2. Answers will vary; sample answers include the following:

Dumpster Diving - They simply rummage through your trash looking for bills or other paper with your personal information on it.

Skimming - They steal credit card or debit card numbers with a special device when you are processing your card.

Phishing - They pretend to be banks, the IRS, or some other organization and send you an email or a letter (or even make a phone call) asking for personal information.

3. Answers will vary; sample answers include the following:

Leave your Social Security card in a secure place. Carrying it in your purse or billfold is not secure.

Be careful about giving out your Social Security number or using it as an ID number. With that one number, ID thieves can find out almost everything there is to know about you.

Carry only the identification information and the credit/debit cards that you actually need when you go out.

Avoid responding to promotions. Identity thieves may create phony promotional offers to get your personal information.

Keep your purse or billfold in a safe place at school and at work. Pick up orders of new checks at the bank instead of having them mailed to your home address.

4. Answers will vary; sample answers include the following:

Contact the fraud division of the three credit bureaus, explain that you are a victim of identity theft, and ask them to put a fraud alert on your credit files.

Contact credit card companies or the issuers of any other cards that were affected. Follow up all phone calls with letters and a copy of the complaint filed with the police department.

File a complaint with the Federal Trade Commission. Its website is www.ftc.gov and contains phone numbers, forms, and general information.



Contact your local police or the police in the city where the identity theft took place.

Contact the State Attorney's General Office for assistance and guidance.

Identity Theft Match Activity 9.2

1. D (Dumpster Diving)
2. A (Changing your Address)
3. C (Phishing)
4. B (Stealing)
5. G (Pretexting)
6. E (Skimming)
7. F (Hacking)

Victims are John, Alexis, Kaden, Jeremy, and Mary's Grandmother.

Kurt and Sara could be prosecuted.

Explanations will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.





Standard 10: Renting vs. Buying

Answer Key

LESSON 10.1: Housing Alternatives

Housing Alternatives Assessment

1. Answers will vary; sample answers include the following:
Location (close to work, in the country, near friends, etc.)
Space issues (number of bedrooms, size of the kitchen or living room, closet space, etc.)
Amenities (swimming pool, washer and dryer, townhouse or flat, etc.)
Safety (outside lighting, deadbolt locks, etc.)
How long you plan to live there (is it temporary or for several years?)
Other things you want or need
2. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.
3. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.
4. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

What Is Your Housing Choice Activity 10.1A

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Housing Choices Activity 10.1B

1. House
2. Apartment
3. Apartment
4. Condo
5. Apartment



6. Apartment (or possibly House)
7. House

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



Standard 10: Renting vs. Buying

Answer Key

LESSON 10.2: Renting an Apartment

Renting An Apartment Assessment

1. a - You have limited expenses for maintenance.
2. d - You may not be able to repaint or remodel when you want.
3. b - Names of the persons who live next door.
4. c - Read carefully and sign only when you understand what everything means.
5. b - Setting a strategy to get what you need for the amount you can afford.

Leasing Lingo Activity 10.2

1. A written contract specifying the terms for the use of an asset and the legal responsibilities of both parties to the agreement, such as a property owner and tenant.
2. A person who pays rent; the legal name for a renter.
3. A person who owns property and rents it to another.
4. Extras such as a fitness center, swimming pool, playground, or community room.
5. A security deposit represents money the landlord can use for cleaning fees or repairs to the apartment when you move out.
6. A basic service such as electricity, gas, water, or telephone.
7. Insurance that covers theft or damage to the tenant's personal property, but not to the structure; it generally includes liability insurance in case someone is injured on your premises.
8. An individual who legally shares a place to live.
9. Ending or terminated a lease before its end.
10. The rights, responsibilities, and other points stated in a lease that the landlord and tenant agree to honor.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



Standard 10: Renting vs. Buying Answer Key

LESSON 10.3: Buying a House

Buying A House Assessment

1. c - You have many options for neighborhoods, price, size, and locations.
2. a - You need a down payment and earnest money.
3. b - Color of the walls in the dining room.
4. c - Shop around until you find the best terms, including interest rate and monthly payment.
5. a - Making an offer that is best for you.

Mortgage Calculations Activity 10.3

1. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.
2. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.
3. $\$130,000 \times 0.20 = \$26,000$
4. $\$3,500 \times 0.30 = \$1,050$ per month
5. $\$4,000 \times 0.40 = \$1,600$
 $\$1,600 - (\$350 + \$200) = \$1,050$

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.





Standard 11: Risk Management and Insurance Answer Key

LESSON 11.1: Identifying Risk

Identifying Risk Assessment

1. a - The potential of having a financial loss.
2. b - Identifying and evaluating all potential losses.
3. c - Transfer
4. b - You can reduce your risk but not eliminate it.

Risky Behavior Activity 11.1

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



Standard 11: Risk Management and Insurance Answer Key

LESSON 11.2: Different Types of Insurance

Different Types of Insurance Assessment

1. b - Renters
2. c - The person injured or whose property was damaged
3. c - Term Life
4. c - Deductible
5. a - Premium

Types of Insurance Activity 11.2

1. Full coverage auto insurance (liability, comprehensive and collision)
2. Term
3. Homeowners
4. Liability
5. Medicare

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



Standard 11: Risk Management and Insurance Answer Key

LESSON 11.3: Using Insurance to Manage Risk

Using Insurance to Manage Risk Assessment

1. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

2. Co-insurance - The percentage of the costs of medical services paid by the patient.

Co-payment - An amount of money that the member or insured pays directly to a provider at the time services are rendered. The dollar amount or percentage of a loss that is not insured, as specified in an insurance policy.

Deductible - The dollar amount or percentage of a loss that is not insured, as specified in an insurance policy.

3. Matching terms to each scenario

- a. Co-payment
- b. Co-insurance
- c. Deductible

4. Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Using Insurance to Manage Risk Activity 11.3

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.





Standard 12: Gambling

Answer Key

LESSON 12.1: What are the Odds?

What Are The Odds Assessment

1. b - Taking risks with your money or assets in hopes of winning something.
2. c - Chess
3. d - Most, if not all, casino games are set so that the casino wins more than the players.
4. a - How likely it is that something will happen.
5. d - Flipping a coin.

Gambling On A Flip Activity 12.1

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



Standard 12: Gambling

Answer Key

LESSON 12.2: Gambling is Risky Business

Gambling is Risky Business Assessment

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Gambling is Risky Business Activity 12.2

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.





Standard 13: Bankruptcy

Answer Key

LESSON 13.1: Managing High Levels of Debt

Managing High Levels of Debt Assessment

1. c - Get consumer credit counseling.
2. a - You seek legal protection from your creditors.
3. a - 10 years
4. d - People who file bankruptcy pay higher interest because they are a higher risk to lenders.

You Be The Judge Activity 13.1

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.





Standard 14: Charitable Contributions

Answer Key

LESSON 14.1: Charitable Contributions

Charitable Contributions Assessment

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

My Giving Profile Activity 14.1

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



Standard 14: Charitable Contributions

Answer Key

LESSON 14.2: Checking Out Charitable Groups

Checking Out Charitable Groups Assessment

1. a - Non-profit
2. a - Check out an organization's mission before making a donating.
3. c - Make sure you can keep your commitment to them.
4. d - Guidestar.org

Organization Check Activity 14.2A

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Making An Informed Choice About Charitable Organizations Activity 14.2B

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.

Alternative Assessments

Answers will vary; check them for reasonable responses that align with the intent and purpose of the concepts in this lesson.



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