Ch 1 Review

Money in Review

Matching

Match the following terms to the correct definition below.

Consumer	Loan	Economy
Financial Literacy	Debt	Personal Finance
Credit	Interest	

1. ____ A fee paid by a borrower to the lender for the use of borrowed money
2. ____ An obligation of repayment owed by one party (debtor/borrower) to a second party (creditor/lender)
3. ____ A person or organization that buys/uses goods or services
4. ____ A debt evidenced by a "note," which specifies the principal amount, interest rate and date of repayment (example: house mortgage)
5. ____ The granting of a loan and the creation of a debt; any form of deferred payment
6. ____ A system by which goods and services are produced and distributed
7. ____ The knowledge and skillset necessary to be an informed consumer and manage finances effectively
8. ____ All of the decisions and activities of an individual or family regarding their money, including spending, saving, budgeting, etc.

Illustration – Optional

Draw a picture representation of each of the following terms.

Money Personality	Consumerism

Multiple Choice

Circle the correct answer.

9. Learning the language of money is not that important because you will be able to depend on financial planners to manage your money.

   (A) True (B) False

10. Which of the following is NOT a reason credit is marketed so heavily to consumers in the United States?

    (A) There is strong consumer demand for big ticket items.
    (B) The credit industry has become extremely profitable.
    (C) The use of credit is not socially accepted in the United States.
    (D) After World War I, credit laws in the United States were relaxed in an attempt to create a mainstream alternative to loan sharks for the working class.

11. During the Great Depression, New Deal policy makers came up with mortgage (home loans) and consumer lending policies that convinced commercial banks that:

    (A) Consumer credit was not a profitable industry.
    (B) Consumer credit could be profitable.
    (C) Consumers would not be willing to use credit, since borrowing money for large purchases had not previously been an option for the middle class.
    (D) They would not be able to compete with loan sharks in the industry of consumer lending.

12. When it comes to managing money, success is about ______% head knowledge and ______% behavior.

    (A) 50, 50 (C) 60, 40
    (B) 80, 20 (D) 20, 80

Short Answer

Respond in the space provided.

13. Describe some of the mistakes Americans often make when it comes to money.

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14. Explain why understanding your money personality is important when it comes to developing a money plan that's right for you.

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15. Does the History of Credit and Consumerism segment make you view the use of credit differently than you did before? Explain your answer.

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16. Explain how marketing can affect your decisions when it comes to spending money.

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17. Does managing your money well mean that you can't have fun with your money? Explain your answer.

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