TRUE OR FALSE: Analyze each statement to determine if it is true or false. If it is false, change the statement to make it true.

1. The first thing you should save for is your retirement fund.
   ____________________________________________________________________________________

2. Pre-authorized checking helps to build discipline in saving.
   ____________________________________________________________________________________

3. Your first “Baby Step” is to pay off all of your debt.
   ____________________________________________________________________________________

4. You should invest 10% of your household income into Roth IRAs and pre-tax retirement plans.
   ____________________________________________________________________________________

5. Murphy’s Law is more likely to strike if you are prepared for the unexpected events that occur throughout life.
   ____________________________________________________________________________________

MATCHING: Select the best answer from the vocabulary word bank.


   6. Place your emergency fund in this type of account.
   7. Baby Step one is ________.
   8. The typical American has a ________ savings rate.
   9. Saving must become a ________.
  10. The emergency fund is not a big ________.
  11. A fully funded emergency fund is ________ months of expenses.
  12. Pay yourself ________.
  13. Use the ________ approach instead of borrowing to purchase things.
  14. The percentage by which your money grows is called the ________.
  15. ________ says that whatever can go wrong will go wrong.
MULTIPLE CHOICE: Read each item carefully, then select the best answer.

16. Savings is about:
   a. Making more money and discipline
   b. Pride and greed
   c. Contentment and emotion
   d. Contentment and earning more money

17. For which of the following should you save?
   a. Wealth building
   b. Emergency fund
   c. Purchases
   d. All of the above

18. Which of the following is true about the concept of saving?
   a. Saving must become a priority.
   b. You will save when you make more money.
   c. You must pay yourself first.
   d. All of the above

19. A sinking fund approach means:
   a. Saving and paying cash
   b. Buying with credit but paying it off in full before the interest comes due
   c. Buying with credit, getting a low interest rate, and sinking further into debt
   d. 90 days same-as-cash

20. Which statement is most true about a one-time investment for 40 years?
   a. The interest rate doesn’t matter as long as you leave it alone for 40 years.
   b. It is foolish to only make a one-time investment.
   c. The annual interest rate does matter when making a one time investment.
   d. All of the above

21. Which statement is true?
   a. People spend more money when they pay with cash.
   b. Using a credit card is safer than carrying cash around.
   c. When you pay with cash, you can almost always negotiate a better deal.
   d. When you pay with cash, it is hard to negotiate a deal because you didn’t use their credit.

22. What is the next step after you have a fully funded emergency fund?
   a. Pay off the rest of your mortgage
   b. Finish paying off the last credit card
   c. Invest 15% of your income into Roth IRAs and pre-tax retirement plans
   d. Work on both a and b at the same time

23. Using the sinking fund approach, how much do you have to save to buy a $5,000 car next year?
   a. $275 a month into savings
   b. $300 a month into savings
   c. $400 a month into savings
   d. $416.66 a month into savings

24. How much money should you have in your emergency fund if you are working on Baby Step 2 (pay off all debt)?
   a. 15% of your household income
   b. 3-6 months of expenses
   c. You should not have an emergency fund until all debt is paid
   d. $500 or $1,000, depending on your current income

25. If you invest $1,000 at 12% interest, how much money will be in the account after two years, compounded annually?
   a. $1,120
   b. $1,240
   c. $1,254.40
   d. $1,300
WHAT WOULD DAVE SAY? Use what you know about Dave and the lessons you’ve watched to respond to the following case study. Use as much information and detail as you can, and always defend your reasons.

26. Hannah is about to get a raise at work that will add $200 to her monthly paycheck. She wants to buy a new car to replace the four-year-old car she is driving. She has $1,000 in her emergency fund and a credit card balance of $650. If she trades in her car and buys a new one, her current payment will only increase by $75. She is leaning toward doing this because she would still have $125 extra per month. What would Dave say? (Remember, Dave always gives a reason with his advice.)

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