

TOOLS FOR FINANCIAL SUCCESS

Pre-Test

Directions: Answer the following either True or False.

- | | | |
|--|------|-------|
| 1. Being organized financially requires a very big time commitment. | True | False |
| 2. Writing a check that exceeds your account balance is known as an NSF check. | True | False |
| 3. Overdraft protection cannot protect you against writing a "rubber" check. | True | False |
| 4. Balancing a checkbook is very difficult and should be left to the experts at the bank. | True | False |
| 5. Outstanding checks are checks you have written that have not yet cleared the bank. | True | False |
| 6. When you endorse a check that someone has given to you, you are promising to pay on the check if it turns out to be a "rubber" check. | True | False |
| 7. It is important to know someone who gives you a personal check. | True | False |
| 8. "Direct deposit" means that when your employer gives you your paycheck, you go directly to the bank and deposit it. | True | False |
| 9. Most banks offer only one type of savings account. | True | False |
| 10. "Accrued" interest is interest that has built up but has not yet been paid. | True | False |

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Post-Test

I. Answer the following either True or False

1. It is safe to accept a personal check from a stranger, because you have his/her signature in writing. True False
2. An NSF check is also known as a rubber check. True False
3. It is safer to accept a cashier's check compared to someone's personal check. True False
4. When balancing your checkbook, you would start with the bank statement amount, and then add to it any outstanding checks. True False
5. If you have overdraft protection, you don't have to keep track of the checks you write. True False
6. A certificate of deposit can be cashed in at any time without penalty. True False
7. The "term" of a loan is the length of time you are given to repay the loan. True False
8. Your credit card balance is an example of a secured loan. True False
9. A six-month loan has a total interest charge of \$300, to be paid at the end of the six months. After four months, the accrued interest is \$200. True False
10. A passbook account is a type of checking account. True False

II. MULTIPLE CHOICE QUESTIONS

11. As a general rule, you should keep copies of your tax return and supporting documentation for:
 - A. 1 year
 - B. 3 years
 - C. 7 years
 - D. 10 years
12. Which of the following is least likely to be kept in a safe deposit box at a bank?
 - A. Stock certificates
 - B. Copies of your will
 - C. Deed on your home
 - D. Your bank statement
13. Sidney just received his checking account statement. It showed a balance of \$425 as of five days ago. Sidney wrote two checks three days ago, one for \$40 and the other for \$95. He also made a deposit yesterday of \$175. What is Sidney's correct current checking account balance?
 - A. \$425
 - B. \$465
 - C. \$385
 - D. \$290
14. Billy accepted Sue's personal check for \$75 for some work he had done for her. Billy endorsed it on the back and gave it to Tom as payment for a used bike that Tom sold to Billy. The check turned out to be an NSF (rubber) check. Which of the following is true?
 - A. Billy will have to pay Tom \$75, and then can try to collect \$75 from Sue.
 - B. Tom cannot collect \$75 from Billy, because Billy didn't know the check was bad. Tom will only be able to collect from Sue, because she wrote the bad check.
 - C. Tom loses \$75, because he was the last to accept the check.
 - D. The bank will lose \$75.

TOOLS FOR FINANCIAL SUCCESS

Post-Test (Continued)

15. For which type of bank savings account are you investing money for a certain period of time?
- Passbook
 - Statement savings
 - Money market
 - Certificate of deposit
16. The interest on a six-month loan of \$5,000 at 12% would be:
- \$ 300
 - \$ 600
 - \$3,600
 - \$5,000
17. The accrued interest, after three months, on an \$8,000, one year, 10% loan would be:
- \$ 0
 - \$200
 - \$600
 - \$800
18. The correct, legitimate way for a lender to state the interest rate is called the A.P.R., or the Annual Percentage Rate.
- True
 - False
19. 10% compounded monthly is a higher true interest rate than 10% compounded annually.
- True
 - False
20. A car loan is an example of an unsecured loan.
- True
 - False

III. SHORT ANSWER QUESTIONS

Read each of the following statements and answer in one or two sentences.

21. Why is it important to identify your goals and to plan for financial success?

22. Why are good financial records so important?

23. Zach just received his bank statement for his checking account. He asked, "Why doesn't the balance in this bank statement equal the balance I'm showing in my checkbook?" Comment on Zach's question.

24. Define outstanding checks.

25. What is a "non sufficient funds" (NSF) or "rubber" check?

TOOLS FOR FINANCIAL SUCCESS

Post-Test (Continued)

26. When Julia graduated from high school, she received ten checks as gifts from friends and relatives. When she went to her bank to deposit them, she was a little annoyed that the clerk made her sign each one on the back. She said, "That took so long! What's up with that?" Comment.

27. Why is it important to know the person giving you a personal check?

28. Joe wanted to buy a new DVD player, but the store wouldn't take his personal check. He said, "They would only accept a cashier's check. What, don't they trust me?"

29. If a bank "money market" account allows you to write checks, why would someone with such an account need a separate checking account?

30. Define "accrued interest."

ESSAY QUESTIONS

Write a short essay in response to each of the following situations. Use the back of this sheet if you need more space.

31. Lou owes several people money, and he doesn't have enough in his checking account to pay them all. These people have been pestering him for payment. Lou said, "I know what to do! I'm going to clean out my checking account, and then I'll give each of them a check for what I owe them. That will buy me some time and get them off my back for awhile." Comment on Lou's debt management plan.

32. Laura borrowed \$4,000 for two months at 18% interest, compounded at the end of the two-month period. Stan did the same thing, except his loan has monthly compounding. Neither Laura nor Stan has a clear idea of the significance of compounding. Explain to them what it means, and include in your answer a calculation of the total interest charge each will pay. The formula for interest is: **Interest = Principal x Rate x Time**

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Discussion Questions and Activities

1. Balancing Stan's Checkbook

Stan Theman opened a checking account with Bigbucks Bank on July 1 with an initial deposit of \$100. On August 4, he received his first monthly statement from Bigbucks, which appeared as follows:

SUMMARY

Beginning Balance, July 1	\$ 0
Checks Paid	- 651.90
Deposits	+1,105.00
Checking Account Fee	- 5.00
Balance, July 31	448.10

SCHEDULE OF CHECKS PAID

<u>CHECK NUMBER</u>	<u>AMOUNT</u>	<u>DATE PAID</u>
1001	46.18	7/06
1002	22.50	7/07
1003	50.00	7/11
1004	154.00	7/15
1005	77.34	7/17
1006	55.00	7/19
1007	75.00	7/22
1008	106.78	7/26
1009	<u>65.10</u>	7/29
TOTAL	\$651.90	

SCHEDULE OF DEPOSITS

<u>DATE</u>	<u>AMOUNT</u>
7/01	\$100.00
7/06	275.00
7/13	190.00
7/20	300.00
7/27	<u>240.00</u>
TOTAL	\$1,105.00

TOOLS FOR FINANCIAL SUCCESS

Discussion Questions and Activities

Stan's own checkbook register appears as follows:

NUMBER	DATE	DESCRIPTION OF TRANSACTION	PAYMENT	DEPOSIT	BALANCE
	7/01	Initial Deposit		100.00	100.00
1001	7/03	Corner Market	46.18		53.82
1002	7/05	ABC Cleaners	22.50		31.32
	7/06	Deposit		275.00	306.32
1003	7/08	Van Theman (Dad)	50.00		256.32
1004	7/11	Auto Clinic	154.00		102.32
	7/13	Deposit		190.00	292.32
1005	7/16	Corner Market	77.34		214.98
1006	7/17	He-Man Health Club	55.00		159.98
1007	7/19	Dan Theman (Brother)	75.00		84.98
	7/20	Deposit		300.00	384.98
1008	7/24	College Bookstore	106.78		278.20
1009	7/27	Corner Market	65.10		213.10
	7/27	Deposit		240.00	453.10
1010	7/30	Fran Theman (Mom)	150.00		303.10
1011	7/31	ABC Cleaners	37.50		265.60
1012	8/02	Dr. Overbite, D.D.S.	75.00		190.60
	8/03	Deposit		235.00	425.60
1013	8/04	Jan Theman (Sister)	65.00		360.60

Requirements: Balance Stan's checkbook. First, determine the current correct balance in Stan's own checkbook register by updating the balance shown in it. Any information contained in the bank statement that is not yet reflected in Stan's checkbook register should be noted in it. Next, using the form on Blackline Master 7, update the July 31 balance shown on the bank statement for any information not reflected on the bank statement. You have successfully balanced Stan's checkbook if the corrected balance in Stan's checkbook register equals the updated bank statement amount.

TOOLS FOR FINANCIAL SUCCESS

Discussion Questions and Activities

CHECKBOOK BALANCING FORM

1. Write in the ending balance shown on the bank statement. \$ _____

2. List deposits not shown on bank statement. Add total to line 1.

TOTAL +\$ _____

3. List outstanding checks and other subtractions not shown on bank statement. Subtract total from line 1.

TOTAL - _____

4. After you figure in all the additions and subtractions, this amount should match current balance in your checkbook.

= _____

2. Loan Research Project

For many young people, the first significant loan that is taken out is of one of two types: an auto loan or a student loan.

A. Auto loan research: Contact at least three different providers of auto loans to learn about current auto loan offerings. Proceed as follows:

- The auto loan providers should be banks, savings and loans, or other financial institutions. Do not contact auto dealerships for this information.
- Be sure to find out about the available terms (i.e., length of the loan), and the interest rate for each term.
- Find out if an auto loan is a "secured" or an "unsecured" loan.
- What will happen if a payment is late or is missed entirely, and what are the borrower's rights in such a case?
- Can you pay off the auto loan early? If so, how will the pay-off amount be determined?

When you have completed your research, write a two to three page report detailing your findings.

B. Student loan research: Contact at least three providers of student loans. The guidelines are:

- What are the major student loan programs?
- What are some of the important similarities and differences?
- Does a student's family's financial situation impact eligibility for these programs? If so, what are the important rules concerning this for each program?
- For each program, what are the available terms (length of the loan) and interest rates? Does interest have to be paid while you're in school? If not, does interest accrue (i.e. build up) while you're in school?
- How soon after leaving school must you begin to make payment on each program's loans? Are there any circumstances under which these payments can be postponed until a later date?

After researching these questions, write a short (2-3 pages) report on your findings.

WHAT IS FINANCIAL SUCCESS?

Vocabulary List

accrued interest - Interest that has built up but has not yet been paid.

annual percentage rate (APR) - The correct, legitimate way for a lender to state the applicable interest rate.

cashier's check - Check purchased at a bank or other financial institution. Frequently required form of payment (as opposed to a personal check).

certificate of deposit (CD) - Type of bank account. Often pays higher interest. Has a stated maturity date (e.g., 6 months or 12 months).

checking account - Type of bank account. Allows account holder to make deposits and then write checks to pay for things.

direct deposit - Arrangement with your bank, which allows your employer to send your pay directly to your bank, eliminating need for a paper paycheck.

endorse a check - To sign the back of a check, accepting responsibility for the check if it turns out to be an NSF check.

interest - The fee a lender charges for the use of money.

interest compounding - The process whereby accrued interest is added to the principal amount to find a new principal amount.

money market account - Type of bank account. Often pays higher interest than some other bank accounts.

money order - Essentially the same as a cashier's check.

non-sufficient funds (NSF) check - A personal check that exceeds your account balance.

outstanding check - A check you've written that has not yet cleared your bank.

overdraft protection - An arrangement with your bank that it will pay on a non-sufficient funds check you may accidentally write.

passbook account - Type of bank account where transactions are entered into a passbook; many banks no longer offer.

principal - The amount borrowed at the beginning of a loan.

"rubber" check - Same as non-sufficient funds check.

safe deposit box - Secure box within a bank that can be rented and used to store important documents and valuables.

secured loan - Loan which gives the lender the right to take certain property in case of non-payment.

statement savings account - Type of bank account. Monthly statement detailing transactions is sent to account holder.

term - Length in time of a loan.

traveler's check - Type of check frequently purchased by travelers. Recognized and accepted worldwide.

unsecured loan - Opposite of a secured loan. Lender is relying on borrower's general credit rating for repayment.

TOOLS FOR FINANCIAL SUCCESS

Use the Correct Term

Directions: Find the right word or term from the vocabulary list found on Blackline Master 8 that completes the following statements.

1. A car loan is an example of a(n) _____.
2. When you _____, you turn it over and sign it on the back.
3. Juan wrote a check between the date on his bank statement and the date he received his bank statement. When balancing his checkbook, this will be listed as a(n) _____.
4. Rick rented a(n) _____ to store some important documents.
5. Shawna doesn't receive a paper paycheck from her job, because she has established _____ to her checking account.
6. Martina has established _____ on her checking account, in case she accidentally writes a "rubber" check.
7. Mark opened a \$1,000 _____ at the bank, which will pay him 3% interest and mature in one year.
8. A six month loan has total interest of \$60, to be paid at the end of the six months. After two months, the _____ is \$20.
9. On March 1, 2004, Wanda borrowed \$5,000, to be repaid on March 1, 2009. Therefore, the _____ of the loan is five years.
10. A student loan is an example of a(n) _____.