

Check for Understanding Interest Quiz (Key)

True/False

- T **F** 1. A person will gain more interest over a ten-year period on an investment that pays simple interest instead of compound interest.
- T **F** 2. One way to eliminate credit card debt is to make larger payments.
- T **F** 3. Paying for “going out for dinner” with a credit card is a good choice.
- T **F** 4. The younger you are when you invest in an account with compounded interest, the younger you are likely to retire.
- T **F** 5. It is important to understand how much you are paying in interest on a loan.

Multiple choice

6. You want to purchase a new car and limit your car payment to \$350.00 a month. What tool would be easiest to use to determine how much you can spend?
- spreadsheet
 - credit card calculator
 - auto loan calculator**
 - mortgage calculator
7. Which of the following is NOT a benefit of purchasing your own home?
- You can deduct mortgage interest, meaning you pay less in taxes.
 - You can add on, remodel and decorate as you wish.
 - Over a period of time, you can build equity.
 - It is easy for you to move.**
8. You invest \$5,000.00 with 5% quarterly compounded interest. You add \$1,000.00 each year. At the end of five years, you will have _____.
- \$12,228.50**
 - \$11,228.50
 - \$10,228.50
 - \$9,228.50
9. The most detailed way to look at the interest you are paying long-term on a mortgage is by using a _____.
- mortgage calculator
 - spreadsheet**
 - auto calculator
 - credit calculator

Matching

- a. adjusted gross pay
- b. assets
- c. compound interest
- d. equity
- e. gross pay
- f. interest
- g. investment
- h. liabilities
- i. net pay
- j. principal
- k. rule of 72
- l. simple interest
- m. tax deduction
- n. tax credit

- b 10. Something you own of value
- f 11. Fee charged by a lender on money borrowed or a fee paid to an investor on his or her investment
- h 12. Debt or what is owed
- j 13. The total amount of money outstanding on a loan
- k 14. Shows how long it will take to double an amount of money for a given interest rate
- l 15. Interest earned only on the original amount or principal
- n 16. An allowable amount is subtracted directly from tax owed
- d 17. Ownership in something such as a house
- g 18. Money placed in an account with the goal of making money
- m 19. An amount of money the law allows to be subtracted from your total gross income when paying taxes so you pay tax on a smaller amount
- e 20. The total amount of a person's income
- c 21. Interest earned on interest added to an account
- a 22. The amount a person pays taxes on after either subtracting the allowable amount for a standard deduction, or by itemizing deductions such as mortgage interest, charitable giving and some medical expenses
- i 23. Wages that remain after taxes are withheld, often called take home pay