

Name _____ Date _____

Power Tools for Building Wealth

1. How can you determine if a person is truly wealthy?
 - a) By the car he/she drives
 - b) He/she spends less money than they earn
 - c) He/she has no discernible budget; they spend what they want, when they want
 - d) Wealth is based on appearance, for example one's car, watch, or clothes

2. You may use your calculator to determine 4^{-5}
 - a) .05
 - b) -1,024
 - c) .000976
 - d) -20

3. Both methods for eliminating debt presented in this lesson:
 - a) Focus on paying off debts in a particular order
 - b) Focus on paying off debts with the highest interest rate first
 - c) Focus on paying off debts with the highest balances first
 - d) All of the above

4. What is the minimum payment required to pay off a \$3,150.00 debt at 11.5 percent interest, in five years?
 - a) \$53.47
 - b) \$132.31
 - c) \$69.27
 - d) \$58.53
$$\text{MonthlyPayment} = \frac{(P \times (I \div 12))}{(1 - (1 + (I \div 12))^{-N})}$$

5. Debt snowball (psychological strategy):
 - a) Is a road to bankruptcy, where debt keeps increasing
 - b) Eliminates debt with the highest balance first
 - c) Eliminates debt with the highest interest rate first
 - d) Focuses on eliminating debts with the lowest balance first

6. Consider a person with the following debts:
 - \$275.00 medical bill at 18 percent
 - \$11,750.00 credit card bill at 16.5 percent
 - \$4,750.00 car loan at 13.75 percent
 - \$2,150.00 computer/office equipment loan at 15 percent
 - \$18,000.00 school loan at 8.25 percent
 - \$1,150.00 personal loan at 12 percent

Using the debt snowball approach presented in the lesson, what would be the second debt eliminated?

- a) Car loan
 - b) Computer/office equipment
 - c) Credit card
 - d) Personal loan
7. The mathematical strategy is considered superior to the psychological approach by most financial experts because:
- a) Debts are eliminated with the least cost
 - b) Excessive debt is a mathematical problem, not a psychological problem
 - c) It is easier to calculate success using the mathematical approach
 - d) Success comes more quickly with the mathematical approach
8. The debt snowball approach ignores:
- a) Balances
 - b) Timeframes
 - c) Minimum payments
 - d) Interest rates
9. Taylor purchases a used car from a dealer. The purchase price is \$7,200.00 and the dealer will finance the purchase at 7 percent interest. How much will Taylor save on her monthly car payment if she chooses to finance for four years instead of three years?
- a) \$0.00 – at 7 percent, both payments will be the same
 - b) About \$50.00/month
 - c) About \$30.00/month
 - d) \$172.41
10. The mathematical and debt snowball approaches:
- a) Accomplish the same goal - debt elimination
 - b) Each have their pros and cons; determine which makes you more comfortable
 - c) Create a plan that works
 - d) All of the above