Name ____ **Date** ________________

The Emergency Fund

1. What percentage of Americans have <u>not</u> prepared for unexpected expenses by having an emergency fund?

    a) 60 percent
    b) 35 percent
    c) 68 percent
    d) 47 percent

2. Which of the following would you classify as a true emergency?

    a) An overdrawn checking account
    b) Losing a job
    c) Tickets to a sold out concert
    d) A credit card balance with 19.5 percent interest

3. What is the foolproof formula for how much you need in an emergency fund?

    a) Start with $500.00, build it to $1,000.00, then stop
    b) Three to six months of essential expenses
    c) Eight to 12 months of essential expenses
    d) There is no single, foolproof formula for everyone

4. If you took $1,000.00 and put it into an interest bearing savings account compounding quarterly at 3 percent, how much would your fund be worth at the end of one year?

    a) $1,030.00
    b) $1,120.00
    c) $1,030.34
    d) $1,120.33

$$A = P\left(1 + \frac{r}{n}\right)^{nt}$$

5. According to the Financial Capability Study, what percentage of 18–34 year-old Americans have no emergency fund established?

    a) 47 percent
    b) 65 percent
    c) 68 percent
    d) 60 percent

6. People without an emergency fund:

    a) Are more likely to turn to credit and new debt to help them out of an unexpected event
    b) Will find themselves in a worse financial situation than before an unexpected event
    c) Are likely to feel uneasy or panic when an unexpected event causes a financial crisis
    d) All of the above

7. According to the state data from the Financial Capability Study presented in the lesson, which state listed is in the best shape for 18–34 year-olds? Which state is in the worst shape?

    a) Florida in best shape; New York in worst shape
    b) Illinois in best shape; New York in worst shape
    c) New York in best shape; Illinois in worst shape
    d) New York in best shape; Florida in worst shape

8. Opening a series of Certificates of Deposits (CDs) and staggering their maturities is a saving strategy called:

    a) Interest rate staggering
    b) CD laddering
    c) Term staggering
    d) CD series

9. What would be the final balance of leaving an emergency fund that had three to six months worth of expenses in it totaling $4,700 in a money market account earning 2.75 percent interest for 2.5 years, if the money market account compounded monthly?

    a) $5,034.10
    b) $5,023.13
    c) $5,127.64
    d) $5,099.16

10. Which of the following does not belong in a frugal budget?

    a) College savings payment
    b) Rent
    c) Completing the Beatles CD collection
    d) Car insurance payment