Financial Knowledge Of Teens And Their Parents

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The purposes of this study were to determine the financial knowledge of high school juniors/seniors and their parents and the relationship between the teens' and parents' financial knowledge. Teens were knowledgeable about net incomes and endorsing checks. Parents were knowledgeable on all areas studied except, credit card liability for unauthorized use, W-4 forms, annual percentage rates, auto collision coverage, and interest accrual on outstanding credit card balances. Significant relationships were found between the teens' and parents' money knowledge.

Key words: *Children and money, Financial education, Financial socialization, Teens and finances*

Introduction

Reports continue to document the amount of money today's teens have and spend. In 1988, the nation's 24 million teens personal spending totaled nearly $54 billion, on average, each week. That total was up from $52 billion in 1986 and nearly $29 billion in 1977 ("Teen Spenders," 1988). Teenage Research Unlimited projected that teens spent $63 billion in 1994 of money they earned or received from allowances (Zollo, 1995). Those projections grew to $141 billion in 1998 and $153 billion in 1999 ("Teens Spend $141 Billion in 1998," 1998 and "Teens Spend $153 Billion in 1999," 1999). Regardless of the report, the consensus is that teenagers have and spend more money each year than teens in previous years. Some may ask "What do teens know about money other than spending it?" How familiar are they with basic financial terms and concepts about money matters they are likely to face as young adults? Is there a relationship between what teens know about money and what their parents know about money? This article will address those questions.

Financial Knowledge, Acquiring It and Developing Financial Skills

In this report, financial knowledge is defined as understanding key financial terms and concepts needed to function daily in American society. It includes knowledge about items related to banking-checking and savings, auto-life-health and homeowners insurance, using credit, taxes, and investing. While there are other important areas related to personal finance, these are areas most American adults encounter as they make daily financial transactions and decisions.

The way youth learn about financial matters varies and is likely to be a combination of intentional and unintentional strategies by key adults in their lives. Other contributors to teens' knowledge about money include the media (television, radio, magazines, etc.) and conversations with peers. Some authors (McNeal, 1992; McNeal & Yeh, 1993) have suggested that learning about money matters starts before language is developed when children accompany their parents into the market and observe the exchange of money for goods at check-out counters. Although observational learning continues throughout life, most lessons learned during the developing years are the ones we tend to remember and use as adults.

Learning by doing, experiential learning, is another way learning occurs. The hands-on experience or active involvement in a process is the only way some things can be learned. For example, you can not play a sport until you have been physically involved or practiced sufficiently. While you can describe the steps in making a savings deposit or balancing a checkbook, understanding of the process will be enhanced when you actually make a deposit or balance a checkbook. Parents often teach their offspring using experiential methods.

Teens' Knowledge about Money Matters

Although teens have the discretionary income and buying power exceeding the spending of several states combined or about half of the U.S. defense budget, (Zollo, 1995) reports continue to reveal how much teenagers do not know about money matters.

A 1991 nationwide survey sponsored by the Consumer Federation of America and American Express Travel Related Services documents that teenagers got less than 50% of the questions correct on a multiple choice test which covered areas such as food, renting, credit, checking, savings, auto insurance and buying a car. Teens could have gotten 25% of the questions correct by guessing.

Results from a 1997 survey conducted by Lewis Mandell, an economist, researcher, and Dean of Marquette University's business school, reported a failing grade (< 70% correct) for 12th graders who were asked knowledge questions on topics such as taxes, retirement, insurance, credit use, inflation and budgeting. On average, these high school seniors answered 57% of the questions correctly ("High school seniors lack financial," 1997). The results from the 2000 version of this survey suggest that 12th graders' financial literacy is decreasing. Participants in the 2000 survey, on average, answered 52% of the questions correctly (DuGuay, 2000). That is a 5% drop from the 1997 survey.

Teens' knowledge about money and their perceptions about what they know appear to be out of balance. The Youth and Money Survey (American Savings Education Council, 1999) asked 1000 students between the ages of 16-22 about their perceptions of understanding financial matters. Findings indicate that most students were confident about understanding financial matters such as saving, investing, credit and budgeting. Seventy-two percent indicated they understood such issues well.

Finally, a 1999 report commissioned by the National Council on Economic Education, gives another view of teens understanding of money matters. Two-thirds of high school students got a failing grade on their understanding of the Voluntary National Content Standards in Economics. However, a majority of the students understood economic principles that can have the greatest impact on their lives. The principles students understood were personal income, comparing costs and benefits before making a purchase, and the benefactors in an apartment rental agreement.

Financial Knowledge of Adults

Because of life experiences, adults are expected to be more knowledgeable about money matters than teens. A 1990 study of adult financial literacy was sponsored by the Consumer Federation of America, TRW credit reporting agency (now Experian) and the Educational Testing Service. The participants' responses on 13 consumer topics suggested there were large gaps in the consumer/financial knowledge of adults. Respondents in this study answered fewer than 70% of the questions correctly in each of the following areas: auto insurance (53%), credit (56%), life insurance (46%) and checking/savings (54%) (Consumer Federation of America, 1993).

Finally, adult respondents in the economic literacy report by the National Council on Economic Education (1999), scored poorly overall (57% of correct responses). However, like the teens, the adults understood the economic principles that could have significant impact on their daily lives, i.e., source of personal income, considerations when making a purchase, and the relationship between price and quantity demanded.

Parental Influence on Teens Money Knowledge

Several authors agree that many life skills, behaviors, and values can and are taught in the home by parents--our first teachers ("High school seniors lack financial" , 1997; Mochis,1985; Pritchard, Myers, & Cassidy, 1989). After reviewing literature related to family communication and consumer socialization of children and adolescents, Mochis (1985) suggested that parents can directly and indirectly influence the consumer behavior of their children by purposeful training and reinforcement activities as well as modeling desirable consumer behavior. A study by Danes (1994) provided additional support for this statement. Danes studied parental perceptions on the financial socialization of children. Danes stated that parents are primary socialization agents for children and the majority of what is transferred from parent to child is not purposeful. She asserted that educational activities for parents of children is best focused on non-formal settings where parents gather or through the mass media. Furthermore, Danes suggested that the usual recommendation that financial education is most appropriate at the high school level fails to recognize the ongoing educational impact that could be occurring at younger ages.

Findings from a survey by Marshall and Magruder (1960) supports four beliefs that specific money education practices of parents will increase children's knowledge and use of money if they are: a) given many opportunities to use money, b) have money to spend, c) have money to save, and d) their parents are responsible money managers, i.e., parents use recommended money management practices. Common money education practices by parents that were not supported by Marshall and Magruder's findings were:

1. Children will know more about money if they are given an allowance.
2. Less of the family's money will be used for children's spending money if children are given an allowance.
3. Children who are given opportunities to earn more will know more about money.
4. Children will have less knowledge about money if money is used as a reward or punishment.
5. Children's attitudes about the importance of money will mirror their parents' attitudes about money.

A finding reported in the 2000 financial literacy survey for JumpStart Coalition (Duguay, 2000) also suggests that children who receive an allowance may not be the most knowledgeable about money. Twelfth graders who received a regular allowance scored worse (49%) on a 45-minute financial literacy exam than teens who did not receive an allowance (52%).

Schnittgrund, Dunsing, and Hapstrom, (1973) studied money practices using a three generational sample. Results indicated that parents tended to treat their child the way they were treated relative to handling money. For example, in households where the parents received an allowance as a child, their children received or would receive an allowance.

In another study of parental efforts to educate their offspring about money, Rettig (1984) found that adult mothers were handling some money matters with their own children the same way their parents handled them. The majority of these adults had not been included in family discussions about money (77%), exposed to written family budgets (59%), taught about life or auto insurance while at home (67%), or taught financial recordkeeping (9%) while they were children. However, these women indicated they were teaching their children some things about money they had not been taught as youth. The majority had explained life and auto insurance (65% and 73%, respectively), and using written budgets (75%). Financial recordkeeping was one area these mothers had not been exposed to as youth (9%). Furthermore, only 15% indicated they had provided an opportunity for their children to learn about financial recordkeeping. This suggests that mothers were continuing the pattern of not educating their children about financial recordkeeping.

Parents are an important information source about money for their teens. In a nationwide survey conducted for Jumpstart Coalition for Personal Financial Literacy, Mandell found that high school students learned about money primarily at home (nearly 60%), on their own (nearly 30%) and at school (10%) ("High school seniors lack financial," 1997). A similar finding was reported by the USA Weekend in its May 1999 special report on Teens and Money. When asked where they had learned a lot about money matters, 77% indicated from their parents and 20% said schools. Survey respondents were 224 students in grades 6-12. Finally, 94% of the respondents in the 1999 Youth and Money Survey (American Savings Education Council, 1999) said they are likely to use their parents as a source of financial information. For this study, 1,000 students from ages 6-22 were interviewed by telephone.

Much has been written about the financial knowledge of youth or teens. Relatively little has been written about the financial literacy of parents. This study was undertaken to answer questions about teens' and parents' financial knowledge.

Purpose and Objectives

The purpose of this study was to determine the financial knowledge of high school juniors/seniors who participated in a six-week summer program. The financial knowledge of the teens' parents was also of concern. Objectives of the study were to:

1. Compare the money matters knowledge of teens and their parents.
2. Determine relationships between teens' and parents' knowledge about money.

Method

The population for the study consisted of a convenience sample of 64 high school students, henceforth teens, who attended a governor's school program at The Pennsylvania State University in 1993. Parents of the teens were also studied. The teens attended an intensive six-week program where academically talented juniors and seniors learned about the different areas of food and agricultural sciences. Teens selected for this program were: recommended by a high school teacher or counselor, expressed an interest in the sciences, and had a B+ or better average in high school courses completed by the date of application. During the program, teens attended classes, workshops, field trips, and participated in a variety of experiences designed to acquaint them with the scientific and professional opportunities in food and agricultural sciences.

A survey instrument was developed to collect data. Section I contained items related to demographics, details about how money was obtained and spent, types of financial assets owned, and formal instruction in money management. Section II contained 19 multiple choice questions which assessed the teens' knowledge relative to money management. Items in this section were taken from the 1991 nationwide survey conducted by the Consumer Federation of America and American Express Travel Related Services (i.e., High School Student Consumer Knowledge) or were adapted from test items banks included in teachers' guide to personal finance textbooks. See Appendix 1 for a list of the knowledge questions included on the survey.

Teens received and completed the survey at the beginning of a regularly scheduled class. Most teens finished the survey in about 20 minutes. One survey per household was mailed to parents. A preaddressed, postage paid return envelope was included. Because of time constraints, no follow-up was conducted of non-responding parents. Parents received a survey that was very similar to the one completed by the teens. Response rates were 95% (61 of 64) for the teens and 73% (47 of 64) for their parents.

Data from teens and parents were analyzed. Frequencies, means and percentages were used to summarize and describe participants. A non-parametric technique, phi coefficient was used to describe relationships between teens' and parents' knowledge about money terms and financial concepts. A phi coefficient is a type of correlation between two variables when both are dichotomous or categorical. It is a measure of association for a 2x2 cross tabulation or contingency table.

Findings

Teens' Profile

The demographic profile of the teens and their earning, spending and saving habits are shown in Table 1. A majority (33 of 61 or 54%) of the teens were females. Although several racial/ethnic groups (African American, Indian, Asian) were represented, the majority of the students were white. One fourth of the teens (25% or 15 of 60) received an allowance. For those receiving an allowance, the weekly amount ranged from $5 to $43 and the weekly average was $16. More than half (32 of 61) of the teens had a paid job during the previous school year. Nearly half of the teens who had jobs (47% or 15 of 32) worked about 10 hours a week.

In descending order, teens indicated they spent most of their allowances and earnings on: entertainment (37%), savings (23%), and clothes (21%). Teens spent little money on snacks (5%), car expenses (5%), and personal care (2%).

In addition to allowances and earnings from part-time jobs, other sources of income for teens were occasional money from their parents (79%), as gifts from relatives (77%), from doing chores at home (30%), and for odd jobs done for neighbors (18%) (see Table 2).

Teens were asked whether or not topics related to personal money management had been discussed in their high school classes. The majority of students (84% or 51 of 61) indicated that money topics, had not been covered in any of their high school classes.

Table 1
Demographic Profile, Sources of Money and Spending Habits of Teens

	Number (N=61)	Percent
Female	33	54
Male	27	46
Allowance Received[1]		
Yes	15	25
No	45	75
Allowance Amount[1]		
$10 or less	6	40
$11 to $20	6	40
$21 to $30	1	7
$31 or more	2	13
Paid Job[2]		
Yes	32	54
No	27	46
Hours Worked		
10 or less	15	47
11 to 15	5	16
16 to 20	5	16
21 to 30	4	13
31 or more	3	9
Spending Money[3]		
Entertainment	16	37
Savings	10	23
Clothes	9	21
Other	3	7
Food/snacks	2	5
Car expenses	2	5
Personal care	1	2

1. One missing case.
2. Two missing cases.
3. Eighteen missing cases

Teens and parents owned a variety of financial assets. Nearly all the teens (87%) and parents (87%) had a savings account. In addition, U. S. Savings bonds were owned by more than half of the teens (55%). Almost all parents had a checking account (94%) and a credit card (89%). Also 50% of the parents owned U.S. Savings Bonds and mutual funds.

Table 2
Teens' Sources of Money

Source*		Number (N=61)	Percent
Parents	Yes	48	79
	No	13	21
Relatives	Yes	47	77
	No	14	23
Doing Chores	Yes	18	30
	No	43	70
Doing odd jobs	Yes	11	18
	No	50	82
Other	Yes	15	25
	No	46	75

* More than one source of income could be indicated by teens

Table 3
Financial Assets Owned by Teens and Parents

	Teens[1] N=58		Parents N=47	
	F	%	F	%
Asset				
Savings account	53	87	41	87
U.S. Savings Bond	32	55	21	45
Other investments	11	18	20	43
Mutual fund	8	13	22	47
Checking account	7	12	44	94
Credit card	6	10	42	89
Individual stock[2]	--		17	36

1. Three missing cases
2. Not an option on teens' survey

Parents
Slightly more than one-third (38% or 18 of 47) of the parents were in the 41-50 age range. All parents were married. Of the 40 parents who indicated their household income range, the majority (25 or 53%) had annual household incomes of $50,000 or more. The 47 surveys from parents were completed by mothers (21 or 45%), fathers (19 or 40%) and seven (14%) were completed by both parents (i.e., the responses were a collaborative effort). The jointly completed responses were included because either parent can share financial information with their teen. Also, it is possible that other surveys were completed by both parents but not reported because that option did not appear on the survey form.

One objective of the study was to compare the teens' and parents' knowledge on key financial concepts and terms. Teens' and parents' responses to 19 money knowledge questions are presented in Table 4. Teens and parents were considered knowledgeable if 70% or more of each group provided the correct answer to a question. Teens and parents were considered unknowledgeable if 69% or fewer answered a question incorrectly. Generally, 70% accuracy is considered a passing grade or an acceptable mastery on most exams in secondary school. Therefore, if 70% or more of the teens and parents answered a question correctly, they were considered knowledgeable on a financial term or concept.

Teens' Knowledge
Teens were knowledgeable about two areas related to money and uninformed on others. The two questions on which the highest number of teens scored correctly dealt with net income (87%) and endorsing checks (87%). Although teens were not knowledgeable about most areas, they scored the lowest on items concerned with liability for unauthorized use of credit cards (3%), finance charges (10%), W-4 forms (18%), the best ways to lower the cost of auto insurance (22%), and annual percentage rates (28%).

Parents' Knowledge
As expected, parents were more knowledgeable than their teens on money matters. Seventy percent of them responded correctly to all but seven items. Items on which parents scored poorly were concerned with: finance charges (40%), auto collision coverage (53%), date interest starts accruing on credit card accounts with an outstanding balance when new charges are made (54%), liability for unauthorized credit card use (57%), W-4 forms (63%), annual percentage rates (64%), and the concept pay-yourself-first (61%) (Table 4).

Another objective of the study was to determine the relationships between the teens' and parents' knowledge about money matters. For this objective, data from the 47 parents and their corresponding teens were analyzed. Cross tabulations were used. Phi coefficient, a non-parametric technique, was used to determine the degree of association, i.e., relationship, between the teens' and parents' knowledge. Davis' (1971) conventions were used to describe the strength of the relationships. As shown on Table 5, substantial relationships (.50 or higher) were found between teens' and parents' knowledge on three items: inappropriate ways to lower auto insurance costs, liability for unauthorized use of credit cards, and cash advances.

Moderate relationships (between .30 and .49) were found on seven items and eight knowledge items had low relationships (between .10 and .29). All relationships were negative. The relationships between the teens' and parents' knowledge were statistically significant at the .01 level or higher on all but four of the 19 knowledge items. Relationships were not statistically significant on items about: endorsing a check, beginning interest accrual date on credit card accounts with a balance when new purchases are made, collision coverage, and the concept of pay-yourself-first.

Table 4.
Number and Percent of Teens and Parents Responding Correctly to Money Knowledge Questions

	Teens N=61		Parents N=47	
Concept or Area	F	%	F	%
Net income	53	87	47	100
Endorsing a check	53	87	48	98
Policyholder	39	64	45	92
Comprehensive automobile insurance	38	62	42	91
Grace Period	36	60	35	78
Deductible	32	53	45	96
Social security tax	32	53	39	85
Personal identification number	31	51	38	81
Lapsed insurance policy	26	43	36	77
Uninsured motorist coverage	25	42	37	76
Pay-yourself-first	26	42	26	61
Cash advances	23	38	42	87
Collision coverage	23	38	26	53
Beginning accrual date on credit accounts with a balance	22	37	25	54
Annual percentage rate	17	28	30	64
Inappropriate ways to lower the cost of car insurance	13	22	40	85
W-4 Form	11	18	29	63
Finance charge	6	10	19	40
Liability for unauthorized use of	2	03	27	57

To determine if the overall knowledge scores of the teens and their parents were related, a product moment correlation was calculated. There was no relationship between the scores of teens and their parents.

Summary and Discussion

This study describes the financial knowledge of teens and their parents and the relationship between teens' and parents' financial knowledge. Data from 61 teens and 47 parents were used to describe each group's knowledge. To determine the relationship between teens' and parents' financial knowledge, only the 47 students whose parents completed and returned a survey form were included in the analysis.

Table 5.
Relationship Between Teens' and Parents' Financial Knowledge

Concept or Area	Teens N=47 F	%	Parents N=47 F	%	Phi Coefficient
Substantial Relationships (.50 to .69)[1]					
Inappropriate ways to lower the cost of car insurance	12	26	40	85	-.60*
Liability for unauthorized use of credit cards	1	2	27	57	-.60*
Cash advances	18	38	41	87	-.51*
Moderate Relationships (.30 to .49)[1]					
Deductible	29	62	45	96	-.42*
W-4 Form	8	17	29	62	-.46*
Finance charge	4	9	19	40	-.37*
Annual percentage rate	13	28	30	64	-.36*
Uninsured motorist coverage	20	43	36	77	-.35*
Social security tax	24	51	39	83	-.34*
Personal identification no.	24	51	38	81	-.31†
Low Relationships (.10 to .29)[1]					
Lapsed insurance policy	23	49	36	77	-.29†
Policyholder	32	68	43	92	-.29*
Comprehensive auto ins.	34	72	42	89	-.21†
Net income	43	92	47	100	-.21†
Grace Period	27	57	35	75	-.18†
Endorsing a check	42	89	46	98	-.17
Beginning accrual date on credit accounts with a balance	19	40	25	53	-.13
Collision coverage	18	38	25	53	-.15
Pay-yourself- first	21	45	26	55	-.11

* significant at .001 level
† significant at .01 level
1. Based on Davis, J. A.. (1971 p. 49). Elementary Survey Analysis

Seventy percent or more of the teens answered two of the 19 knowledge questions correctly. These two items were dealt with the concept of endorsing checks and defining net income. On the remaining 17 items, the number of teens answering items correctly ranged from 3% to 64%. Table 4 contains the 19 areas covered on the survey and are ordered from most to least knowledgeable for the teens' responses. Over half of the teens had a paid job during the previous school year and a few (7) had a checking account. Furthermore, nearly all of their parents had a checking account. Perhaps the teens learned about these two concepts from repeated hands on-experience of endorsing and cashing their paychecks, seeing the difference between the gross and net income of their paychecks, and finally observing parents endorsing checks. It is somewhat surprising that only 11 or 18% of the teens were knowledgeable about W- 4s. Most employers require you to complete a W- 4 form so the appropriate taxes can be withheld. However, completing a W- 4 is usually done once at the beginning of employment. Furthermore, adjustments in W- 4 withholdings may not occur until an event such as a marriage or birth of a child. Neither event is one which these teens were likely to have experienced.

As expected, the parents were knowledgeable about most areas included on the survey. Seventy percent or more of the parents answered 12 of the 19 knowledge questions correctly. Those 12 items were on the terms or concepts of net income, endorsing a check, insurance policyholder, comprehensive auto insurance, credit card grace periods, insurance deductible, Social Security tax, personal identification number, lapsed insurance policy, uninsured motorist insurance, cash advances, and lowering the cost of car insurance. Items on which parents scored poorly were concerned with: finance charges, auto collision coverage, date interest starts accruing on credit card accounts with an outstanding balance when new charges are made, liability for unauthorized credit card use, W- 4 forms, annual percentage rates, and the concept of pay-yourself-first. Note that four of the seven areas on which parents were not knowledgeable relate to credit card use. Nearly 90% (42 of 47) of the parents owned credit cards. This could be an indication that although these parents had middle incomes and owned credit cards, perhaps they could benefit from additional education on the finer details of using them wisely. Lack of knowledge about credit was also a finding in the Consumer Federation of America (1990) on adult consumer literacy. Adults in that study answered only 56% of the questions in the credit section correctly.

To determine if the knowledge scores of the teens and their parents were related, a product moment correlation was calculated. There was no relationship between the knowledge scores of the teens and their parents (r-.059, p=.69). This is somewhat surprising since it is logical to believe that parents who are knowledgeable about money matters would have teens who are also knowledgeable about basic money matters. However, there must be opportunities and some deliberate efforts to teach youth about money issues. Perhaps the opportunities or teachable moments had not occurred for the 16 year-old teens and parents in this study.

Readers of this article should proceed with caution when considering the findings. A convenience sample of teens and parents participated in this study. Therefore, the sample does not reflect a general segment of the population and the findings relate only to participants in this study. All parents who responded to the survey were married. In addition, the household income range reported by the parents (25 of 40) was above average ($50,000 or more).

Even with its precautions, this report is a small step in helping those concerned about improving youth and adult financial literacy understand areas of strength and weaknesses of teens and adults. This report may also be used to alert parents that they are knowledgeable about some basic money matters and can educate their teens while using events that occur in their daily living. Educators can encourage parents to share with their teens what they do know about money during the course of daily living. By using normal events as teachable moments, parents can increase the financial literacy of their offspring. The impact of a series of at home mini lessons over several years could be surprising! For example, when teens are ready to get a driver's license, this is good time to explain some of the basics about auto insurance. If teens are not receptive to parents' explanation, schedule an appointment with your insurance agent. In fact, have the teen arrange the meeting with your agent. Following up the meeting with printed information about auto insurance for the teen to read can reinforce the discussions with the agent. Another teachable moment might be a casual comment about credit card grace periods and annual percentage rates when making purchases with a credit card. Finally educators can inform parents about national studies of teens which indicates they are likely to seek parental advice about money matters ("High school seniors lack financial," 1997; American Savings Education Council, 1999). Even though some teens may give the impression that they think their parents do not know anything, the studies above indicate they do recognize the expertise parents have, at least on money issues.

Appendix

Money Management Knowledge and Skills

Directions: Place a check for the BEST answer to the following statements.

1. This fee is collected from employers and employees to support a federal insurance program for eligible people of different ages
   a. Social Security tax
   b. State income tax
   c. Unemployment compensation tax
   d. Federal income tax

2. The amount of money left after taxes are deducted from a paycheck is called
   a. gross income
   b. variable expense income
   c. net income
   d. discretionary income

3. The IRS form that is used to notify your employer of the number of exemptions for which you qualify and that serves as a basis, along with income earned, for calculating your payroll withholding is the
   a. W-2 form
   b. W-4 form
   c. 1040 form
   d. exemption certificate

4. When you sign your name on the back of a check that is payable to you, it is known as
   a. signing the check
   b. cashing the check
   c. endorsing the check
   d. co-signing the check

5. The two keys to the use of electronic funds transfer are the debit card and the
   a. account number
   b. credit card
   c. personal identification number
   d. signature card

6. The days between the billing date and the due date on a credit statement are called the
   a. closing period
   b. default period
   c. grace period
   d. interest period

7. The owner of a credit card that is lost or stolen is legally responsible for
   a. any unauthorized charges
   b. any unauthorized charges until the loss or theft is reported
   c. only the first $50 of any unauthorized charges
   d. no unauthorized charges

8. Small loans obtained by using a credit card are called
   a. purchase loans
   b. withdrawals
   c. cash advances
   d. rebates

9. What the lender charges you in dollars to borrow money is called
   a. the finance charge
   b. usury
   c. the principal
   d. interest

10. The BEST indicator of the cost of a loan is the
   a. number of monthly payments
   b. monthly payment amount
   c. interest rate
   d. annual percentage rate

11. If a credit card account has a balance carried over from the previous month, when will interest charges usually begin on a new credit purchase?
   a. on the day of the purchase
   b. one month after the date of purchase
   c. after a two week grace period
   d. after a two month grace period

12. Which of the following is NOT a good way to lower the costs of your automobile insurance?

a. increase the deductible
b. lower the limits
c. eliminate the collision coverage for older cars
d. shop around for lower premiums from other companies

13. Insurance coverage that provides liability and medical benefits to the insured if involved in an accident caused by someone with insufficient coverage to meet the need
a. property damage liability
b. collision coverage
c. comprehensive automobile insurance
d. uninsured motorist

14. Coverage for thief of an automobile is provided for under this part of an automobile
a. insurance policy
b. property damage liability
c. collision coverage
d. comprehensive automobile insurance
e. uninsured motorist

15. Insurance term which refers to the predetermined amount you must pay before an
a. insurance company will pay toward your loss
b. claim
c. deductible
d. premium
e. rider

16. Portion of the automobile insurance coverage that pays for repairs of the covered automobile if the repair is not paid for by the insurance of the person who caused the damage
a. property damage liability
b. collision coverage
c. comprehensive automobile insurance
d. uninsured motorist

17. An insurance policy that has been terminated due to the policyholder's failure to pay the premium is said to have
a. expired
b. been paid off
c. lapsed
d. entered its grace period

18. Which term below always applies to the person who pays for a life insurance policy and retains all rights and privileges granted by the policy, including the right to amend the policy?
a. beneficiary
b. policyholder
c. contingent beneficiary
d. insured

19. Pay-Yourself-First
a. Is an old idea practiced by some adults which means they set aside
b. personal spending money as soon as they get paid.
c. Means that before spending any of your income, you will save some for the future.
d. Means you should take care of your own personal bills before loaning others any money.
e. Is a method of saving for your retirement

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