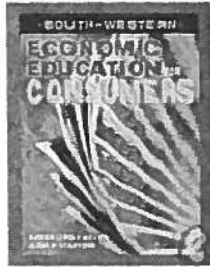


# Consumer Economics

Text: Economic Education for Consumers (South-Western)



## Student Workbook

Complete the Section Guide questions for the following chapters.

Part One: Chapters 1, 4, 5, 6, & 7.

Part Two: Chapters 8, 10, 13, 14, & 15.



*112 pages*

STUDENT \_\_\_\_\_ CLASS \_\_\_\_\_ DATE \_\_\_\_\_

## Chapter 1 Consumers—The Engine that Runs the Economy

### 1.1 Decisions, Decisions

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. values \_\_\_\_\_
2. goals \_\_\_\_\_
3. needs \_\_\_\_\_
4. wants \_\_\_\_\_
5. opportunity cost \_\_\_\_\_

#### *Concepts Review*

6. What power does the consumer have over businesses?  
\_\_\_\_\_  
\_\_\_\_\_
7. What are the differences between life, work, and social values?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
8. Describe, in your own words, values, goals, and opportunity costs.  
\_\_\_\_\_  
\_\_\_\_\_  
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\_\_\_\_\_

9. Explain the difference between a need and a want. Give an example of each.

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***Critical Thinking***

10. Why is it important to consider opportunity costs when you make a decision?

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11. How do you decide between a need and a want in your life?

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***Consumer Applications***

12. Gina went to her local mall with her friends. The mall is huge and has many options from which to choose. She has \$50 that she can spend. There are so many things she wants to buy. For instance, a department store in the mall is having a sale on jeans. Gina has jeans but they're kind of old. She also knows that she will need a new backpack for next semester, because hers can hardly hold her books anymore. Write a suggestion for Gina.

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# Chapter 1 Consumers—The Engine that Runs the Economy

## 1.2 Make Decisions

### *Key Terms Review*

Define each of the following vocabulary terms.

1. Rational buying decision \_\_\_\_\_
2. Impulse purchase \_\_\_\_\_

### *Concepts Review*

3. If you wanted to buy a Digital Video Diskette (DVD) player, would this most likely be a rational buying decision or an impulse purchase? Why?

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4. Give an example of an impulse purchase.

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5. What could be a disadvantage of an impulse purchase?

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6. Write the step that identifies the decision-making process next to the letter.

\_\_\_\_\_ a. Research on the Internet, read, talk to salespeople and bicyclists

\_\_\_\_\_ b. Deciding whether or not you should buy a new mountain bike

\_\_\_\_\_ c. After buying the bicycle, take it on a mountain trail

\_\_\_\_\_ d. Test ride bikes at different stores, considering price and service

\_\_\_\_\_ e. Choosing a bicycle and buying it

**Critical Thinking**

8. Give an example of two people who can have the same values but different goals.

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9. Jerediel and Shane each have \$50 and want to buy personal stereos. After considering the features and prices of several stereos, Shane chose to buy a less expensive stereo than Jarediel. What are the benefits and opportunity costs of his decision?

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**Consumer Applications**

10. You are considering buying three compact disks over the Internet. The price is \$13.99 for each compact disk plus \$3.00 for shipping and handling. At the discount superstore, the compact disks are \$14.49 each. How much money will you save with the less expensive option? What is the benefit and opportunity cost of each option?

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# Chapter 1 Consumers—The Engine that Runs the Economy

## 1.3 Understand Economic Systems

### *Key Terms Review*

Define each of the following vocabulary terms.

1. economic system \_\_\_\_\_
2. production \_\_\_\_\_
3. resources \_\_\_\_\_
4. economics \_\_\_\_\_
5. traditional economy \_\_\_\_\_
6. command economy \_\_\_\_\_
7. capitalist or market economy \_\_\_\_\_
8. profit \_\_\_\_\_
9. mixed economy \_\_\_\_\_

### *Concepts Review*

10. Give an example of a "good" and a "service." What kind of business would offer both?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

11. A farmer is told what to grow, how much to grow, and for how much to sell it. What kind of economy would this be?

\_\_\_\_\_

12. What type of business in your area could be considered a traditional economy?

\_\_\_\_\_

13. In a pure market economy, with no government interference, do you think automobile manufacturers would meet the safety standards they do now? Explain your answer.

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14. List three businesses or industries that are subject to governmental control.

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***Critical Thinking***

15. You decide to open up your own pet-grooming business. What resources do you need to get started? What costs do you need to consider for setting prices?

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16. Why do you think it is difficult for a country to switch from a command to a market economy?

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***Consumer Applications***

17. Kiara took her car to her mechanic to for an oil change. The price of the service had increased dramatically from when she had it done three months earlier. When she asked for an explanation, the mechanic told her that the government had passed new regulations regarding the disposal of oil. Why do you think these new regulations cost the consumer more money? How does the consumer benefit from these regulations?

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# Chapter 1 Consumers—The Engine that Runs the Economy

## 1.4 Consumer's Role in the Economy

### *Key Terms Review*

Define each of the following vocabulary terms.

- 1. consumer \_\_\_\_\_
- 2. consumer economics \_\_\_\_\_
- 3. consumer sovereignty \_\_\_\_\_

### *Concepts Review*

- 4. What information does a consumer provide to a producer of goods or services? How is this information provided?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- 5. What is the most important reason to run a business in a market economy?  
\_\_\_\_\_  
\_\_\_\_\_
- 6. Define competition in your own words.  
\_\_\_\_\_  
\_\_\_\_\_
- 7. How does the consumer affect competition?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



### **Critical Thinking**

8. Tony's Pizzeria is across the street from an office building. Tony's does a lot of lunch business during the week, but on weekends it is very slow. It is not in the center of town or near any shopping centers. How could Tony increase his weekend sales?

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9. Taco Juan's is a very popular fast-food restaurant, but it is barely making a profit. Juan has an all-you-can-eat daily lunch buffet. He cannot serve the leftover food for dinner, so whatever he doesn't sell has to be thrown away. Juan has several people working for him and does not want anyone to lose their job. The restaurant's hours are from 11 A.M. to 11 P.M. How can Juan increase his efficiency and his profits?

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### **Consumer Applications**

10. Your friend's father owns a sporting goods store. Though the merchandise is top quality and you would like to shop there to support his business, his prices are very high. You can buy the same merchandise at a chain store in the mall and spend a lot less money. Why do you think his prices are so high? How would you let your friend know that his father's store is too expensive? Where would you shop and why?

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# Chapter 1 Consumers—The Engine that Runs the Economy

## 1.5 Advertising and Consumer Decisions

### *Key Terms Review*

Define each of the following vocabulary terms.

1. brand advertising \_\_\_\_\_
2. informative advertising \_\_\_\_\_
3. comparative advertising \_\_\_\_\_
4. defensive advertising \_\_\_\_\_
5. persuasive advertising \_\_\_\_\_
6. deceptive advertising \_\_\_\_\_
7. puffery \_\_\_\_\_

### *Concepts Review*

8. Are brand name products always better quality? Why do they cost more than unfamiliar or store brands?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

9. What is the difference between deceptive advertising and puffery?

\_\_\_\_\_

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\_\_\_\_\_

\_\_\_\_\_

10. Match the slogan with the type of advertising listed below.

(A) brand (B) informative (C) comparative (D) defensive (E) persuasive

\_\_\_\_\_ *Fresh* deodorant —“You’ll feel Fresh all day long!”

\_\_\_\_\_ *Extra Crunchy* chips—“Best for dips!”

\_\_\_\_\_ *Quench* soft drinks—“Not as sweet as the rest, but still tastes the best!”

\_\_\_\_\_ *Super Subs*—“Our sandwiches are made with fresh-baked rolls and are bigger than Nemo’s subs.”

\_\_\_\_\_ *Your Neighborhood Bank*—“Our low interest home-equity loan offers no closing costs and no application fees.”

### **Critical Thinking**

11. Why do you think deceptive advertising is illegal?

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12. When a celebrity endorses a product, what kind of advertising is this? Explain your answer.

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### **Consumer Applications**

13. Suzanne saw an ad on TV for a new perfume. It portrayed a woman who walked into a crowded room and everyone wanted to be near her because of the perfume. When she bought the perfume and wore it to a party, she was disappointed. What kind of advertisement was this? How could Suzanne have avoided her disappointment?

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# Chapter 1 Consumers—The Engine that Runs the Economy

## 1.6 Be a Responsible Consumer

### *Concepts Review*

1. Name three natural resources that you use as an individual consumer.

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2. Is water a need or a want? How is water wasted?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

3. Is oil a need or a want? How is oil wasted?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

4. If you are wasteful of natural resources, how does it affect others?

\_\_\_\_\_

5. How can you, as a consumer, encourage businesses to act socially responsible?

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6. How does your local or federal government help conserve resources and preserve the environment?

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**Critical Thinking**

7. Why do you think it is important for consumers to support environmentally responsible businesses?

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8. Why do you think the government often provides funding to cities building mass transit systems?

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**Consumer Applications**

9. Melika is buying a telephone. There are two models that she is interested in buying. The less expensive one has a lot of packaging, which includes quite a bit of Styrofoam, plastic wrap and cardboard. Melika is concerned about the environment. Should she send the manufacturer a message by not buying the excessive packaging, or should she save herself several dollars and hope that somebody else will send the message?

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## Consumer Economics "Economic Education for Consumers"

### Chapter 1: Consumers - The Engine that Runs the Economy

#### TERMS REVIEW

Match each term on the left with its definition on the right. Some terms may not be used.

- |           |  |                             |
|-----------|--|-----------------------------|
| 1. _____  | 1. a person who buys or uses a good or service   | a. command economy          |
| 2. _____  | 2. study of the role consumers play in an economic system  | b. consumer                 |
| 3. _____  | 3. the value of the next best alternative that you give up when you buy something  | c. consumer economics       |
| 4. _____  | 4. the price at which the quantity of a product supplied exactly equals the quantity demanded of that product                  | d. consumer sovereignty     |
| 5. _____  | 5. what businesses use to produce goods and services   | e. demand                   |
| 6. _____  | 6. what a decision making process will help you make   | f. economic system          |
| 7. _____  | 7. the government owns most resources and makes most economic decisions  | g. economics                |
| 8. _____  | 8. the study of how economic systems work  | h. equilibrium price        |
| 9. _____  | 9. the quantities of a good or service that consumers are willing and able to buy at various prices during a given time period | i. market economy           |
| 10. _____ | 10. has characteristics of a market and a command economy  | j. goals                    |
| 11. _____ | 11. the difference between the cost of creating the product and the money received from selling it                             | k. law of demand            |
| 12. _____ | 12. the things you would like but can live without   | l. law of supply            |
| 13. _____ | 13. the things you want to accomplish in life  | m. mixed economy            |
| 14. _____ | 14. the creation of goods and services   | n. needs                    |
| 15. _____ | 15. economic law that says that consumers will demand more of a product at a lower price than at a higher price                | o. opportunity cost         |
| 16. _____ | 16. standards by which you live  | p. production               |
|           |  | q. profit                   |
|           |  | r. puffery                  |
|           |  | s. rational buying decision |
|           |  | t. resources                |
|           |  | u. scarcity                 |
|           |  | v. supply                   |
|           |  | w. traditional economy      |
|           |  | x. values                   |
|           |  | y. wants                    |

STUDENT \_\_\_\_\_ CLASS \_\_\_\_\_ DATE \_\_\_\_\_

## Chapter 4 Choose a Career—Get a Job

### 4.1 Get to Know Yourself

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. personal interests \_\_\_\_\_  
\_\_\_\_\_
2. aptitude \_\_\_\_\_
3. skill \_\_\_\_\_
4. personality \_\_\_\_\_  
\_\_\_\_\_

#### *Concepts Review*

5. What do you need to know about yourself to make useful career plans?  
\_\_\_\_\_  
\_\_\_\_\_
6. To make a good career choice, what must you understand about yourself?  
\_\_\_\_\_
7. How do you determine your interests?  
\_\_\_\_\_
8. Your interests may lead you toward particular careers, but what does success in a career require?  
\_\_\_\_\_
9. What are some ways to identify one's personality?  
\_\_\_\_\_  
\_\_\_\_\_

### **Critical Thinking**

10. If you were to put the ten values listed in your book in order of importance, what would be the first three? What would be the last three? What does this say about yourself?

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11. Think of the classes you do well in and your outside interests. What aptitudes (listed in your book or any others) do you think you possess?

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12. What personality type (listed in your book) do you think you have? Does this fit with your aptitudes? Do you think someone who is creative would more likely have a verbal aptitude or a numerical aptitude? Why?

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### **Consumer Applications**

13. Jose has always done well in art. He has won several area contests and taken many art courses in high school, but he's not sure what his career choice will be after high school. His father is a plumber and would like Jose to join him in the family's business. His mother is an accountant and wants Jose to go to the same college as she did. Jose is not sure of what he should do. What would you tell Jose?

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## Chapter 4 Choose a Career—Get a Job

### 4.2 Explore Careers

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. job \_\_\_\_\_
2. career \_\_\_\_\_

#### *Concepts Review*

3. List the five federal sources of information.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
4. List the four private sources of career information.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
5. What is the function of a private employment agency?  
\_\_\_\_\_  
\_\_\_\_\_
6. How do you plan for your career?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

7. What are some financial considerations in planning your career?

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**Critical Thinking**

8. In your own words, what is the difference between a career and a job?

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9. What are the advantages and disadvantages of talking to someone in the field in which you're interested as a career?

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**Consumer Applications**

10. Denzel is a senior in high school who excels in mathematics. He would like to be a high school Math teacher. Where would Denzel get information on this career? What planning is involved?

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## Chapter 4 Choose a Career—Get a Job

### 4.3 Apply for a Job

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. referral \_\_\_\_\_  
\_\_\_\_\_
2. temporary agencies \_\_\_\_\_  
\_\_\_\_\_
3. resume \_\_\_\_\_
4. cover letter \_\_\_\_\_
5. references \_\_\_\_\_  
\_\_\_\_\_

#### *Concepts Review*

6. What kind of jobs are you most likely to find in the newspaper's help-wanted ads?  
\_\_\_\_\_
7. What information should you find out before enlisting the service of a private employment agency?  
\_\_\_\_\_
8. What are the advantages and disadvantages of accepting work from a temporary agency?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

9. What is the advantage of having a resume over filling out a job application?

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***Critical Thinking***

10. What could be another reason, other than the one discussed in your textbook, why most employers do not advertise their job openings?

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11. Why is it important to include your extracurricular activities, volunteer work, and any special honors on your resume?

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***Consumer Applications***

12. Elena has an excellent relationship with her employer. A friend of a friend asked her for a referral for a job where she worked. Elena has met this person a few times but doesn't know her very well. How would you advise Elena on her decision?

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## Chapter 4 Choose a Career—Get a Job

### 4.5 Prepare for the Future

#### *Key Terms Review*

1. downsizing \_\_\_\_\_
2. severance pay \_\_\_\_\_
3. notice \_\_\_\_\_

#### *Concepts Review*

4. What does success in your first job provide?  
\_\_\_\_\_
5. What are some reasons why people change careers?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
6. If you are terminated due to downsizing, why should you be sure to get a written recommendation?  
\_\_\_\_\_  
\_\_\_\_\_
7. What should you do if you are unable to solve your problems on the job?  
\_\_\_\_\_
8. What qualifications do you need to consider if you would like to change your career or profession?  
\_\_\_\_\_  
\_\_\_\_\_

**Critical Thinking**

9. Why should you always keep your resume up-to-date, even if you're currently employed?

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10. If a supervisor had to downsize her department and had to choose among her equally qualified employees, on what basis could she make her decision on whom to keep?

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**Consumer Applications**

11. Mary had been a salesclerk in the mall for more than a year when she learned of another job that offered better pay. She applied for the job, and when it was offered to her on Tuesday, the new employer asked if she could start next Monday. What should Mary do?

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## Consumer Economics "Economic Education for Consumers

### Chapter 4: Choose A Career - Get a Job

#### TERMS REVIEW

Match each term on the left with its definition on the right. Some terms may not be used.

- |           |   |                       |
|-----------|---|-----------------------|
| 1. _____  | 1. aptitude developed through training and experience                                 | a. aptitude           |
| 2. _____  | 2. unique blend of qualities that defines an individual                               | b. career             |
| 3. _____  | 3. set of tasks you accomplish while you work   | c. cover letter       |
| 4. _____  | 4. official written notification that you are leaving the company                     | d. downsizing         |
| 5. _____  | 5. recommendation of a person for a job   | e. interview          |
| 6. _____  | 6. private firms that specialize in supplying short term employees to businesses      | f. job                |
| 7. _____  | 7. natural talent for learning some skills over others                                | g. notice             |
| 8. _____  | 8. brief summary of your job qualifications   | h. personal interests |
| 9. _____  | 9. letter of introduction sent with your resume to a potential employer               | i. personality        |
| 10. _____ | 10. activities you find rewarding over an extended period of time                     | j. references         |
| 11. _____ | 11. occupation to which you have made a long term commitment                          | k. referral           |
| 12. _____ | 12. people the employer can contact to verify your training, experience, or character | l. resume             |
| 13. _____ | 13. face-to-face meeting with a potential employer to discuss your job qualifications | m. severance pay      |
| 14. _____ | 14. terminating employees to cut expenses   | n. skill              |
|           |   | o. temporary agencies |

STUDENT \_\_\_\_\_ CLASS \_\_\_\_\_ DATE \_\_\_\_\_

## Chapter 5 Taxes—How Much Income Will You Keep?

### 5.1 Taxes and Your Paycheck

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. payroll taxes \_\_\_\_\_  
\_\_\_\_\_
2. income taxes \_\_\_\_\_
3. Federal Insurance Contributions Act (FICA) \_\_\_\_\_  
\_\_\_\_\_
4. withholding \_\_\_\_\_
5. gross income \_\_\_\_\_
6. net income \_\_\_\_\_  
\_\_\_\_\_
7. Form W-4 \_\_\_\_\_  
\_\_\_\_\_
8. Internal Revenue Service (IRS)
9. allowance \_\_\_\_\_  
\_\_\_\_\_

#### *Concepts Review*

10. Why do employers withhold taxes every paycheck rather than all at once at the end of the year?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



11. What are some factors affecting the amount of income tax you owe?

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12. How do you know how many allowances you should claim?

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13. Does the number of allowances you claim change the amount you owe? Why or why not?

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14. How can you avoid paying a large tax bill, and maybe a fine, at the end of the year?

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### ***Critical Thinking***

15. Why is it a bad decision to claim too few allowances during the year so you can have a large refund at the end of the year?

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### ***Consumer Applications***

16. Alison worked 30 hours last week at \$7.00 per hour. She claims one allowance for a federal income tax deduction of \$22.00 and \$7.15 for her state income tax deduction. With FICA at 6.20% and Medicare tax at 1.45%, what is her net pay?

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## Chapter 5 Taxes—How Much Income Will You Keep?

### 5.2 File a Tax Return

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. tax return
2. Form W-2 \_\_\_\_\_  
\_\_\_\_\_
3. Form 1099-INT \_\_\_\_\_  
\_\_\_\_\_
4. Form 1040-EZ \_\_\_\_\_
5. dependent \_\_\_\_\_
6. deductions \_\_\_\_\_  
\_\_\_\_\_
7. Social Security number \_\_\_\_\_  
\_\_\_\_\_
8. taxable income \_\_\_\_\_

#### *Concepts Review*

9. What is considered income?  
\_\_\_\_\_
10. What qualifies you to use form 1040EZ?  
\_\_\_\_\_  
\_\_\_\_\_

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11. What is the benefit of filing Form 1040?

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**Critical Thinking**

12. Why do you think employers have a deadline of January 31 to mail their employees a W-2 form?

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13. Why would you deposit your refund electronically?

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**Consumer Applications**

14. Nathan, who is single, earned \$34,328 in wages last year, plus \$186 in interest income. Throughout the year, he had \$5,437 withheld from his wages for federal income tax. (a) How much is his adjusted gross income? (b) How much is his taxable income? (c) What is his total tax liability for the year? (d) What is the amount of his payment or refund? For (b) see page 165 For (c) see page 167

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## Chapter 5 Taxes—How Much Income Will You Keep?

### 5.3 Taxes and Government

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. sales taxes \_\_\_\_\_  
\_\_\_\_\_
2. property taxes \_\_\_\_\_
3. excise tax \_\_\_\_\_  
\_\_\_\_\_
4. estate taxes \_\_\_\_\_  
\_\_\_\_\_
5. gift taxes \_\_\_\_\_  
\_\_\_\_\_
6. business or license tax \_\_\_\_\_
7. customs duties or tariffs \_\_\_\_\_

#### *Concepts Review*

8. How does the government receive money?  
\_\_\_\_\_
9. From where does the federal government receive the largest part of its income?  
\_\_\_\_\_
10. What are the three ways to classify taxes?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

11. Define and give an example of the benefit principle of taxation.

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12. What are the three ways that taxes are based on the share of income they take as people's incomes change?

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**Critical Thinking**

13. Why do you think states have a business or license tax for plumbers, barbers, electricians, and cosmetologists?

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14. Is a benefit principle of taxation an example of a progressive tax or regressive tax? Explain your answer.

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**Consumer Applications**

15. Your school is proposing a budget increase that would cost your family an additional \$350 a year in taxes. If the proposal does not pass, it will be forced to reduce programs and supplies. Will you vote for or against the proposal? Explain your answer.

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## Chapter 5 Taxes—How Much Income Will You Keep?

### 5.4 Government Spending

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. public goods \_\_\_\_\_  
\_\_\_\_\_

#### *Concepts Review*

2. How does the government use taxes to influence consumers' decisions?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. What are the six major areas where your tax dollars are spent?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
4. Give three examples of the benefits state and local governments provide.  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Critical Thinking**

5. Some people feel that school taxes should be paid only by people who have children in the school system. What would happen to our schools if this were the case? How does education benefit all citizens?

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6. Many students think that they should get paid to go to school for all the work they do. Why don't students get paid to go to school? What would happen if we didn't have laws requiring children to go to school? Would you go to school if you didn't have to?

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**Consumer Applications**

7. Jermaine drove to school this morning. Of the eight examples of what state and local governments provide (listed in your textbook), how many affect him and how?

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## Consumer Economics "Economic Education for Consumers"

### Chapter 5: Taxes - How Much Income Will You Keep?

#### TERMS REVIEW

Match each term on the left with its definition on the right. Some terms may not be used.

- |           |  |  |
|-----------|--|--|
| 1. _____  | 1. a form that you fill out to provide the information your employer needs to determine the proper amount to withhold from your paycheck                                 | a. allowance                                 |
| 2. _____  | 2. the pay you earn before taxes are withheld  | b. business or license tax                   |
| 3. _____  | 3. goods and services provided by the government that benefit all Americans  | c. customs duties or tariffs                 |
| 4. _____  | 4. for tax purposes, the people you support financially  | d. deductions                                |
| 5. _____  | 5. a statement of the interest your bank paid on your savings that year  | e. dependents                                |
| 6. _____  | 6. a set of forms that taxpayers use to calculate their tax obligation   | f. estate tax                                |
| 7. _____  | 7. a share of workers' earnings paid to the government by workers and their employers  | g. excise tax                                |
| 8. _____  | 8. a number that you calculate on a Form W-4 that reduces the amount withheld from your pay  | h. FICA (Federal Insurance Contribution Act) |
| 9. _____  | 9. a tax included in the price of certain goods and services   | i. Form 1040 EZ                              |
| 10. _____ | 10. employer deductions from employees, earnings to pay employees' taxes   | j. Form 1099-INT                             |
| 11. _____ | 11. all the wages, tips, and interest on which you pay taxes   | k. Form W-2                                  |
| 12. _____ | 12. tax paid by the giver of gifts worth more than \$10,000  | l. Form W-4                                  |
| 13. _____ | 13. the number that the government uses to identify you as a taxpayer  | m. gift tax                                  |
| 14. _____ | 14. the simplest of the basic income tax forms   | n. gross income                              |
| 15. _____ | 15. a tax added to the price of a product at the time of purchase that is imposed on imports a summary of your earnings and withholdings for the year from your employer | o. income taxes                              |
| 16. _____ | 16. tax that is imposed on imports   | p. Internal Revenue Service (IRS)            |
| 17. _____ | 17. a summary of your earnings and withholdings for the year from your employer  | q. net income                                |
| 18. _____ | 18. a tax on the value of real estate  | r. payroll taxes                             |
| 19. _____ | 19. an amount that you may subtract from adjusted gross income on your tax form  | s. property tax                              |
|           |  | t. public goods                              |
|           |  | u. sales tax                                 |
|           |  | v. social security number                    |
|           |  | w. tax return                                |
|           |  | x. taxable income                            |
|           |  | y. withholding                               |



STUDENT \_\_\_\_\_ CLASS \_\_\_\_\_ DATE \_\_\_\_\_

## Chapter 6 Budgeting—How Will You Use Your Money?

### 6.1 Choose Financial Goals

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. budget \_\_\_\_\_  
\_\_\_\_\_
2. short-term goals \_\_\_\_\_
3. long-term goals \_\_\_\_\_

#### *Concepts Review*

4. What is the first step in the budgeting process?  
\_\_\_\_\_
5. What are two types of financial goals?  
\_\_\_\_\_
6. What is the difference between short-term and long-term goals, regarding the impact each has on your life?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
7. What do you need to consider when choosing your short-terms goals?  
\_\_\_\_\_  
\_\_\_\_\_

#### *Critical Thinking*

8. Why is it more difficult to plan your long-term goals than your short-term goals?

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9. When budgeting your finances for your short-term goals, what are some opportunity costs that may be involved?

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***Consumer Applications***

10. David wanted to become a chef after high school and own a restaurant someday. His parents cannot afford to send him to school. Currently, he is working in the kitchen of a local restaurant. How can David turn his job into a career and achieve both his short- and long-term goals? How would his achievement benefit his community?

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## Chapter 6 Budgeting—How Will You Use Your Money?

### 6.2 Track Income and Expenses

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. fixed expenses \_\_\_\_\_

2. flexible expenses \_\_\_\_\_

3. luxury goods \_\_\_\_\_

\_\_\_\_\_

#### *Concepts Review*

4. In the budget process, what is the next step after determining your goals?

\_\_\_\_\_

\_\_\_\_\_

5. What items are included in your spending records?

\_\_\_\_\_

\_\_\_\_\_

6. What is necessary for effective record-keeping?

\_\_\_\_\_

\_\_\_\_\_

7. What is an advantage of most fixed expenses?

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_

**Critical Thinking**

8. Next to the items listed, write whether they are fixed or flexible expenses.

- |                            |                                    |
|----------------------------|------------------------------------|
| _____ weekly groceries     | _____ car payment                  |
| _____ monthly rent         | _____ long-distance telephone bill |
| _____ car insurance        | _____ clothing                     |
| _____ monthly heating bill | _____ gasoline                     |
| _____ monthly cable bill   | _____ daily newspaper delivery     |

9. Why do you need to categorize your spending records?

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**Consumer Applications**

10. In the last 24 months, Amin saved \$3,000 to buy a used car. It will cost him \$600 for his first insurance payment, \$125 to register the car, and taxes will be 5% of the car's sales price. Based on his average savings, how long will it take him before he is able to purchase and drive the car?

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## Chapter 6 Budgeting—How Will You Use Your Money?

### 6.3 Your Budget Worksheet

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. budget worksheet \_\_\_\_\_  
\_\_\_\_\_

#### *Concepts Review*

2. What information goes into your budget worksheet?  
\_\_\_\_\_  
\_\_\_\_\_
3. What does a budget worksheet show you?  
\_\_\_\_\_  
\_\_\_\_\_
4. What are the five steps in building a budget worksheet?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
5. Why do many people give up on using a budget worksheet or not attempt to use one at all?  
\_\_\_\_\_  
\_\_\_\_\_

#### *Critical Thinking*

6. What does the statement, "Your income is a limited resource," mean?

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7. Why should saving be listed on the worksheet as an expense and your spending be adjusted to achieve this goal?

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8. If your income was under (-) and your spending was over (+), what does that mean?

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### ***Consumer Applications***

9. Ling created and implemented a monthly budget worksheet for herself.

<u>Income</u>	
Paycheck (net)	\$150.00/week
<u>Expenses</u>	
Eating out	\$25.00/week
Birthday gifts	\$75.00/month
Movies	\$15.00/week
Clothes	\$100.00/month
Personal Care Items	\$40.00/month
<u>Savings</u>	?/month

Ling would like to save \$250.00/month for college and a car. Calculate Ling's monthly income, expenses, and current savings for a four-week period. Is she able to achieve her goal? How much over or under are her monthly savings? If you were Ling and your monthly expenses were over, would you put the additional money in savings or add it to your other expenses? If Ling's savings are short every month, where do you think she could reduce her spending?

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## Chapter 6 Budgeting—How Will You Use Your Money?

### 6.4 Create Your Budget for the Year

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. balanced budget \_\_\_\_\_

#### *Concepts Review*

2. What is the purpose of a budget worksheet?

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3. When you need to reduce spending, what expenses can you cut back on?

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4. If you spent more than you expected in a month, what are your two options?

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5. What is the purpose of a budget?

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6. What does a yearly budget accomplish?

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#### *Critical Thinking*

7. If your friend asked you to help her establish a budget and create a worksheet, with what parts can you help and why?

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8. Why should you review, and possibly change, your budget annually, even if your goals are still the same?

\_\_\_\_\_

\_\_\_\_\_

9. How can a budget be your safeguard against having too much debt?

**Consumer Applications**

10. Dina had \$150 saved for a new mountain bike, but her parents could not afford the remaining \$300 that she needed. It was agreed that Dina could work around the house for the next six months, but Dina had to set up a budget and calculate what chores would be done and for how much. The chores will only be done once, but the expenses will be monthly. Help Dina with her worksheet. How much will her expenses total each month? Remember, this must be a balanced budget. (Calculate for four weeks per month.)

<u>Income</u>		<u>Expenses</u>
Allowance	\$10/week	Movies
Wash 14 windows	\$10/window	Clothing
Rake the leaves	\$20	Personal-Care Items
Clean the garage	\$25	Eating Out
Clean the attic	\$25	Saving
Paint the fence	\$100	
Clean carpets	\$50	

\_\_\_\_\_

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\_\_\_\_\_



## Consumer Economics "Economic Education for Consumers

### Chapter 6: Budgeting - How Will You Use Your Money?

#### TERMS REVIEW

Match each term on the left with its definition on the right. Some terms may not be used.

- |          |   |                      |
|----------|---|----------------------|
| 1. _____ | 1. things you hope to achieve within the next year or two                                       | a. budget            |
|          |   | b. budget worksheet  |
| 2. _____ | 2. amounts you have already committed to spend  | c. fixed expenses    |
|          |   | d. flexible expenses |
| 3. _____ | 3. a plan for dividing up your income among spending and saving options                         | e. long-term goals   |
|          |   | f. luxury goods      |
| 4. _____ | 4. amounts that you can choose to spend or not to spend   | g. short-term goals  |
|          |   |                      |
| 5. _____ | 5. things you hope to achieve within five years   |                      |
|          |   |                      |
| 6. _____ | 6. planning document on which you record your expected and actual income and spending           |                      |
|          |   |                      |
| 7. _____ | 7. goods that have special qualities that make them more expensive than other alternative goods |                      |

STUDENT \_\_\_\_\_ CLASS \_\_\_\_\_ DATE \_\_\_\_\_

## Chapter 7 Banking Services—Where to Stash Your Cash

### 7.1 How Banks Work

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. purchasing power \_\_\_\_\_
2. Federal Deposit Insurance Corporation (FDIC) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. barter \_\_\_\_\_
4. currency \_\_\_\_\_
5. check \_\_\_\_\_  
\_\_\_\_\_
6. payee \_\_\_\_\_
7. statement \_\_\_\_\_

#### *Concepts Review*

8. Why do banks charge borrowers a higher rate of interest than they pay their depositors?  
\_\_\_\_\_
9. What are some of the reasons to deposit your money in a bank?  
\_\_\_\_\_  
\_\_\_\_\_
10. What is the function of the FDIC?  
\_\_\_\_\_  
\_\_\_\_\_

11. How do banks make our communities better places to live?

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12. What are the advantages of using checks?

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***Critical Thinking***

13. Why do you think that banks are regulated by the government?

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14. Banks earn a profit by charging interest to borrowers. Why do you think they pay interest to depositors?

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***Consumer Applications***

15. Your friend Jerry has just started a part-time job at a grocery store. He would like to save enough money to buy a car stereo and some new clothes for school. He doesn't have a bank account. How will you convince him to open an account.

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## Chapter 7 Banking Services—Where to Stash Your Cash

### 7.2 Use Your Checking Account

#### *Key Terms Review*

Define each of the following vocabulary terms

1. checking account \_\_\_\_\_  
\_\_\_\_\_
2. check register \_\_\_\_\_
3. account balance \_\_\_\_\_
4. overdrawing \_\_\_\_\_  
\_\_\_\_\_
5. endorsement \_\_\_\_\_
6. third party checks \_\_\_\_\_

#### *Concepts Review*

7. What are the requirements for opening a checking account?  
\_\_\_\_\_  
\_\_\_\_\_
8. What are the parts of the check that must be filled out?  
\_\_\_\_\_  
\_\_\_\_\_
9. What must you do to cash a check?  
\_\_\_\_\_  
\_\_\_\_\_

10. If you have deposited a check into your account, why can't you immediately withdraw the money?

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11. What are the two types of checking account fees that banks charge?

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***Critical Thinking***

12. Why is it important to keep your check register up-to-date?

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13. Why do you think many banks refuse to accept third party checks?

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14. Why should you investigate the fees charged by competing banks before opening your account?

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***Consumer Applications***

15. Sean has a checking account with a monthly maintenance fee of \$8.00. This account allows him to write up to ten checks per month. The fee for each additional check is \$2.00. Last month, Sean wrote 15 checks. What was his monthly fee?

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## Chapter 7 Banking Services—Where to Stash Your Cash

### 7.3 Electronic Banking

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. electronic funds transfer (EFT) \_\_\_\_\_  
\_\_\_\_\_
2. automated teller machine (ATM) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. personal identification number (PIN) \_\_\_\_\_  
\_\_\_\_\_
4. direct deposit \_\_\_\_\_  
\_\_\_\_\_
5. debit cards \_\_\_\_\_  
\_\_\_\_\_
6. automatic withdrawal \_\_\_\_\_  
\_\_\_\_\_

#### *Concepts Review*

7. What are the advantages of electronic funds transfer?  
\_\_\_\_\_  
\_\_\_\_\_

8. Why do you need a PIN to use an ATM?

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9. How do debit cards work and what are their advantages?

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10. How does the Electronic Funds Transfer Act protect consumers?

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***Critical Thinking***

11. What do you think the advantages are of using an ATM?

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12. Why do many employees choose to have their paychecks directly deposited into their accounts?

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***Consumer Applications***

13. Kuniko is comparing banks before she opens an account. Mammoth Bank has several branches that are open during evenings and weekends; the bank does not have an ATM nor does it accept direct deposits. First National Bank is only open during the week from 9 A.M. to 3 P.M., but has an extensive network of ATMs, accepts direct deposits, and offers online banking services. Mammoth Bank offers free checking and First National's checking account fee is \$15.00 per month. Which bank would you advise Kuniko to use? Why?

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## Chapter 7 Banking Services—Where to Stash Your Cash

### 7.4 Balance Your Checkbook

#### *Key Terms Review*

Define each of the following vocabulary terms

1. canceled checks \_\_\_\_\_  
\_\_\_\_\_

#### *Concepts Review*

2. What does your bank statement show?  
\_\_\_\_\_
3. How does the account reconciliation form help you?  
\_\_\_\_\_  
\_\_\_\_\_
4. What does it mean if the account is balanced?  
\_\_\_\_\_
5. What should you do if there is an error on your statement?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#### *Critical Thinking*

6. What should you do if you cannot reconcile your account?  
\_\_\_\_\_  
\_\_\_\_\_



7. Can you think of reasons why you might need to refer to canceled checks, statements, or reconciliation forms at a later time?

**Consumer Applications**

8. Aaron received his bank statement with the following information:

Balance Last Statement	Total Deposits	Total Payments	Bank Fees	Balance This Statement
\$29.62	\$1852.36	\$84.03	\$6.50	\$1791.45

Check No.	Amount	Date	Deposit Amount	Date
123	\$43.00	4/2	\$987.65	3/31
124	\$23.37	4/5	\$864.71	4/8
125	\$17.66	4/6		

Use the checkbook register form to record each of these transactions.

Number	Date	Description of Transaction	Payment/Debit(-)		Code	Fee (-)		Deposit/Credit (+)		BALANCE
			\$			\$		\$		

## Chapter 7 Banking Services—Where to Stash Your Cash

### 7.5 Other Banking Services

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. certified check \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

2. cashier's check \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

3. money order \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

4. traveler's checks \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

5. wire transfer \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

6. safe deposit boxes \_\_\_\_\_

\_\_\_\_\_  
\_\_\_\_\_

#### *Concepts Review*

7. What types of purchases are more likely to require a certified or cashier's check?

\_\_\_\_\_  
\_\_\_\_\_

8. What is the advantage of using a money order rather than a personal check?

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9. What are some of the reasons that wire transfers are used?

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10. What types of items are usually kept in safe deposit boxes?

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### ***Critical Thinking***

11. Why do you think banks charge a fee to issue cashier's and certified checks?

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12. Why might you use traveler's checks instead of a credit card when you are traveling?

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### ***Consumer Applications***

13. Clarise was selling her car through a classified advertisement in the paper. When the buyer offered her a personal check, she wasn't sure whether or not to accept it. What would you tell Clarise to do?

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## Consumer Economics "Economic Education for Consumers

### Chapter 7: Banking Services - Where to Stash Your Cash

**TERMS REVIEW**

Match each term on the left with its definition on the right. Some terms may not be used.

- |           |  |   |
|-----------|--|---|
| 1. _____  | 1. paper money and coins used for financial transactions   | a. account balance                              |
| 2. _____  | 2. an order to a bank to pay a specified sum to the person or business named   | b. automated teller machine (ATM)               |
| 3. _____  | 3. the person or business to whom a check is written   | c. automatic withdrawal                         |
| 4. _____  | 4. writing a check for more than is deposited in your checking account   | d. barter                                       |
| 5. _____  | 5. a federal government agency that insures deposits in banks  | e. canceled check                               |
| 6. _____  | 6. a written record from your bank of all the transactions involving your account  | f. cashier's check                              |
| 7. _____  | 7. a booklet for recording your checking account transactions  | g. certified check                              |
| 8. _____  | 8. the total amount in your bank account   | h. check  |
| 9. _____  | 9. your signature on the back of a check   | i. check register                               |
| 10. _____ | 10. a check with the bank's stamp on it, indicating that it has been paid  | j. checking account                             |
| 11. _____ | 11. the movement of money from one account to another by computer  | k. currency                                     |
| 12. _____ | 12. a computer terminal that you can use to make deposits, withdraw cash, transfer money between accounts, and check your account balances | l. debit card                                   |
| 13. _____ | 13. a secret number that identifies you to an ATM as the owner of the ATM card   | m. direct deposit                               |
| 14. _____ | 14. a card used to transfer money electronically from your checking account to the store's account to pay for a purchase                   | n. electronic funds transfer (EFT)              |
| 15. _____ | 15. a check that draws on the money of the bank or other financial business that issued it   | o. endorsement                                  |
| 16. _____ | 16. checks that you pay for in advance   | p. Federal Deposit Insurance Corporation (FDIC) |

STUDENT \_\_\_\_\_ CLASS \_\_\_\_\_ DATE \_\_\_\_\_

## Chapter 8 Saving—Plan for Financial Security

### 8.1 Why Save?

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. saving \_\_\_\_\_

#### *Concepts Review*

2. What are some of the reasons to save?

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3. How can savings give you flexibility?

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4. Why is rewarding yourself an effective saving strategy?

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5. How do automatic payroll deductions help you save?

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6. What is a checking account transfer and how does it help you save?

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**Critical Thinking**

7. Why do you have a better chance of achieving your goal if you start saving sooner?

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8. Why is it important to have a savings strategy?

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**Consumer Applications**

9. Olivia has a part-time job babysitting for two different families. Her hours vary from week to week and so does her income. Her best friend is studying in Australia for the next two semesters, and Olivia would like to save enough money for a plane ticket to visit her. What do you think are the best saving strategies for Olivia to achieve her goal?

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## Chapter 8 Saving—Plan for Financial Security

### 8.2 Saving Institutions and Accounts

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. commercial bank \_\_\_\_\_  
\_\_\_\_\_
2. savings banks \_\_\_\_\_
3. dividend \_\_\_\_\_
4. savings and loan associations \_\_\_\_\_  
\_\_\_\_\_
5. credit unions \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
6. savings accounts \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#### *Concepts Review*

7. What type of financial institution is the primary source of loans for businesses?  
\_\_\_\_\_  
\_\_\_\_\_
8. How are savings and loan associations different from commercial banks?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

9. Which are the federal agencies that protect deposits in savings institutions?

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10. What factors should you consider in selecting a savings account?

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***Critical Thinking***

11. Why do you think credit unions are able to offer higher interest rates for depositors and low rates for loans?

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12. If you had more than \$100,000 in a savings account, how could you protect it?

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***Consumer Applications***

13. Ileana has just started teaching at the high school. She currently uses a large commercial bank for her savings. She also has a checking account, a safe deposit box, and a car loan with that bank and has been happy with the service she has received. She now has an opportunity to join the school's credit union. Do you think Ileana should join the credit union? Why or why not?

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## Chapter 8 Saving—Plan for Financial Security

### 8.3 Save with Safety

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. certificate of deposit (CD) \_\_\_\_\_  
\_\_\_\_\_
2. money market account \_\_\_\_\_  
\_\_\_\_\_
3. annual percentage yield (APY) \_\_\_\_\_
4. bond \_\_\_\_\_
5. savings bonds \_\_\_\_\_  
\_\_\_\_\_
6. face value \_\_\_\_\_

#### *Concepts Review*

7. Why do banks pay lower interest rates on savings accounts than on certificates of deposit?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
8. How do money market accounts differ from regular savings accounts?  
\_\_\_\_\_  
\_\_\_\_\_

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9. What are the three types of Treasury securities? How do they differ?

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**Critical Thinking**

10. What are the factors you need to consider when selecting a term for your CD?

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11. Why do you think a tax advantage exists on government bonds?

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**Consumer Applications**

12. Maurice's grandmother gave him \$500 for high school graduation. He would like to use the money in September for college. If he deposits it in a three-month CD that has an APY of 5.3 percent, how much will he have when the CD matures?

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## Chapter 8 Saving—Plan for Financial Security

### 8.4 Simple and Compound Interest

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. principal \_\_\_\_\_  
\_\_\_\_\_
2. simple interest \_\_\_\_\_  
\_\_\_\_\_
3. compound interest \_\_\_\_\_  
\_\_\_\_\_

#### *Concepts Review*

4. Why does the way your bank calculates interest affect how fast your savings grows?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
5. What are the ways that interest can be compounded?  
\_\_\_\_\_  
\_\_\_\_\_
6. What are the key elements of a successful saving plan?  
\_\_\_\_\_
7. What are two ways to calculate compound interest?  
\_\_\_\_\_
8. What is the easiest way to compare account rates offered by different banks?  
\_\_\_\_\_

### **Critical Thinking**

9. Interest rates on savings accounts are far lower than those with other savings options. Why do you think that the way interest is compounded on savings accounts is of such interest to consumers?

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10. Do you think that banks can make mistakes when calculating the interest on your account? Why or why not?

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### **Consumer Applications**

11. Vanh has \$1,200 to deposit into a savings account. The Annual Percentage Yield is 6 percent. Calculate his balance at the end of one year if the interest is compounded (a) quarterly, (b) semiannually, and (c) annually.

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## Consumer Economics "Economic Education for Consumers

### Chapter 8: Saving - Plan for Financial Security

#### TERMS REVIEW

Match each term on the left with its definition on the right. Some terms may not be used.

- |           |   |                                  |
|-----------|---|----------------------------------|
| 1. _____  | 1. deposit in a savings institution that earns a fixed interest rate for a specified period of time                             | a. annual percentage yield (APY) |
| 2. _____  | 2. interest paid on the principal and also on previously earned interest, assuming that the interest is left in the account     | b. bond                          |
| 3. _____  | 3. financial institution that serves individuals and businesses with a wide variety savings accounts, loans, and other services | c. certificate of deposit (CD)   |
| 4. _____  | 4. portion of a company's profits paid to the owners  | d. commercial bank               |
| 5. _____  | 5. financial institution that is owned by its depositors  | e. compound interest             |
| 6. _____  | 6. interest paid one time a year at the end of the year on the average balance in a savings account                             | f. credit union                  |
| 7. _____  | 7. financial institution that specializes in lending money to buy homes   | g. dividend                      |
| 8. _____  | 8. the dollar value printed on a bond   | h. face value                    |
| 9. _____  | 9. financial institution that provides financial services to its members  | i. money market account          |
| 10. _____ | 10. trading current spending for the ability to spend in the future   | j. principal                     |
| 11. _____ | 11. written promise to pay a debt by a specified date   | k. saving                        |
| 12. _____ | 12. account at a savings institution in which you may deposit money, earn interest, and withdraw your money at any time         | l. savings account               |
| 13. _____ | 13. the interest rate paid per year   | m. savings and loan association  |
| 14. _____ | 14. money on deposit  | n. savings bank                  |
|           |   | o. savings bonds                 |
|           |   | p. simple interest               |

STUDENT \_\_\_\_\_ CLASS \_\_\_\_\_ DATE \_\_\_\_\_

## Chapter 10 Credit—You're in Charge

### 10.1 What is Credit?

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. credit \_\_\_\_\_

#### *Concepts Review*

2. What trade-off do you make when you use credit?

\_\_\_\_\_  
\_\_\_\_\_

3. When is borrowing almost a necessity?

\_\_\_\_\_

4. What is equity?

\_\_\_\_\_  
\_\_\_\_\_

5. Why is home ownership sometimes an investment?

\_\_\_\_\_  
\_\_\_\_\_

6. Other than as an investment, what is another good reason to own a home?

\_\_\_\_\_

7. Why is education sometimes an investment?

\_\_\_\_\_  
\_\_\_\_\_

8. What percentage of your take-home pay should your total debt payments be?

\_\_\_\_\_

**Critical Thinking**

9. Why do you think banks, credit card companies, and other lending institutions put a maximum on how much someone can borrow?

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10. How do you think the businesses mentioned in question 9 above determine the maximum amount a person can borrow?

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**Consumer Applications**

11. Salvador and Aurelia are borrowing \$150,000 to buy a new house. They must decide whether to borrow the money for 15 years at 8 percent interest or 30 years at 8 1/2 percent interest. If they choose the 15-year mortgage, their monthly payments would be \$9.56 per \$1,000 borrowed, or \$1,434. If they choose the 30-year mortgage, their monthly payments would be \$7.69 per \$1,000 borrowed, or \$1,153. How much more money would they have to spend each month if they choose the 30-year mortgage? How much would they be paying for the house if they take out a 15-year mortgage? a 30-year mortgage? What is the total difference?

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## Chapter 10 Credit—You're in Charge

### 10.2 How to Qualify for Credit

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. credit worthiness \_\_\_\_\_
2. character \_\_\_\_\_
3. credit history \_\_\_\_\_
4. cosign (a loan) \_\_\_\_\_
5. capacity \_\_\_\_\_
6. capital \_\_\_\_\_  
\_\_\_\_\_
7. credit bureau \_\_\_\_\_  
\_\_\_\_\_
8. credit rating \_\_\_\_\_

#### *Concepts Review*

9. What are the three factors that lenders use to judge credit worthiness?  
\_\_\_\_\_
10. What is always the most important factor in being able to get credit in the future?  
\_\_\_\_\_
11. If you have no credit history, what are some other signs of responsibility that a lender may consider?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



12. What information can hurt your credit rating?

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13. What information can help your credit rating?

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***Critical Thinking***

14. Your best friend, whom you've known for more than ten years, has asked you to co-sign a loan for him to buy a car because he can't get a loan on his own. On what would you base your decision?

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15. Why do you think lenders want to know your credit history and current financial obligations before they decide to lend you more money?

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***Consumer Applications***

16. Ruben has never had a problem getting a loan. He has a motorcycle, a car and two major credit cards. Now, he found another car, a two-seater convertible sports car, that he really wants to buy. When he went to apply for the loan, he was denied. What should Ruben do to find out why he was denied? Why do you think he was denied? What decision would you make if you were Ruben?

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## Chapter 10 Credit—You're in Charge

### 10.3 Sources of Consumer Credit

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. secured loan \_\_\_\_\_  
\_\_\_\_\_
2. collateral \_\_\_\_\_  
\_\_\_\_\_
3. installment loan \_\_\_\_\_  
\_\_\_\_\_
4. unsecured loan \_\_\_\_\_  
\_\_\_\_\_
5. regular charge account \_\_\_\_\_  
\_\_\_\_\_
6. revolving charge account \_\_\_\_\_  
\_\_\_\_\_
7. grace period \_\_\_\_\_  
\_\_\_\_\_
8. credit limit \_\_\_\_\_  
\_\_\_\_\_

#### *Concepts Review*

9. What is the difference between a secured loan and an unsecured loan?  
\_\_\_\_\_  
\_\_\_\_\_
10. Is a credit card considered a secured loan or an unsecured loan?  
\_\_\_\_\_  
\_\_\_\_\_

11. How do savings and loan associations differ from banks and credit unions?

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12. What are other sources of consumer loans?

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**Critical Thinking**

13. Why do you think interest rates on credit cards are higher than almost any other type of consumer credit?

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14. If you were issued a credit card, you might be tempted to charge many items that you otherwise might not buy. How could you make sure that you would be careful and not get too heavily into debt?

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**Consumer Applications**

15. For the first 10 days in a 30-day month, Yuan's balance on his credit card was \$200. He then made a payment of \$150, bringing his balance down to \$50 for the remaining 20 days. What was Yuan's average daily balance? If his interest rate is 12 percent a year, what would the interest rate be for one month? Multiply the average daily balance by the monthly interest rate to get Yuan's finance charge for that month. [Average Daily Balance = Sum of Daily Balances ÷ Number of Days.]

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## Chapter 10 Credit—You're in Charge

### 10.4 Credit Rights and Responsibilities

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. Truth-in-Lending Act \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
2. finance charge \_\_\_\_\_  
\_\_\_\_\_
3. annual percentage rate (APR) \_\_\_\_\_  
\_\_\_\_\_
4. Equal Credit Opportunity Act \_\_\_\_\_  
\_\_\_\_\_
5. Fair Credit Reporting Act \_\_\_\_\_  
\_\_\_\_\_
6. Consumer Credit Reporting Reform Act \_\_\_\_\_  
\_\_\_\_\_
7. Fair Credit Billing Act \_\_\_\_\_  
\_\_\_\_\_
8. Fair Debt Collections Practices Act \_\_\_\_\_  
\_\_\_\_\_

## **Concepts Review**

Circle the answer that best describes the statement in the exercises that follow:

9. True / False The law requires the credit bureau to investigate disputed items on a credit report within 30 days.
  10. True / False It is fair to assume that the credit bureau will take care of a problem for you.
  11. True / False If you believe a bill is wrong on your credit card statement, you may call the company that issued your credit card and explain why you believe the bill is wrong.
  12. True / False If you believe a product you bought with a credit card is of inferior quality, you must first try to settle the problem with the merchant who sold you the merchandise.
  13. True / False A lender will always limit your credit because it is trying to protect you from financial difficulties.
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## **Critical Thinking**

14. Why would you care if the information on your credit report is accurate?

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15. Why must you write to your credit card company as opposed to calling when you have a disputed bill?

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## **Consumer Applications**

16. Lyndsay took her car to the mechanic to get her air-conditioner repaired. The bill was \$600, and she put it on one of her major credit cards. Several days later, her air-conditioner stopped working. Her mechanic told her it would cost another \$400 to repair it. Lyndsay wanted her mechanic to refund her the original \$600, as she got nothing for his money. Her mechanic refused. What action should Lyndsay take?

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## Chapter 10 Credit—You're in Charge

### 10.5 Maintain a Good Credit Rating

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. acceleration clause \_\_\_\_\_  
\_\_\_\_\_
2. balloon payment \_\_\_\_\_  
\_\_\_\_\_
3. bankruptcy \_\_\_\_\_  
\_\_\_\_\_
4. true-name fraud \_\_\_\_\_  
\_\_\_\_\_
5. debt consolidation loan \_\_\_\_\_  
\_\_\_\_\_

#### *Concepts Review*

6. If you would like to establish credit, how would you build a positive record?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
7. How can both a husband and wife establish credit in his/her own name?  
\_\_\_\_\_  
\_\_\_\_\_

8. How can you avoid some common credit problems?

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9. What is the best way to protect yourself from true-name fraud?

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**Critical Thinking**

10. Why are debt-consolidation loans a "bandage, not a cure"?

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11. What happens to a car's value over time? If you didn't pay very much toward the loan on your car at the beginning, and then had a balloon payment at the end, how could your car's value compare with the balance of the loan?

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**Consumer Applications**

12. Maria received a phone call from "Dream Vacations, Inc." She was told that she was selected to receive an all-expenses-paid, four-day vacation to Disney World. The representative asked for information such as her full name and address, which Maria gave her. Then the woman said she needed a security deposit to hold Maria's reservation at the hotel. She asked Maria for her social security number and a major credit card number. Should Maria give her the information? Why or why not? What else should Maria do?

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## Consumer Economics "Economic Education for Consumers"

### Chapter 10: Credit - Your In Charge

#### TERMS REVIEW

Match each term on the left with its definition on the right. Some terms may not be used.

- |           |  |                                 |
|-----------|--|---------------------------------|
| 1. _____  | 1. a measure of your ability and willingness to repay a loan   | a. acceleration clause          |
| 2. _____  | 2. using another person's identity to buy products through the use of credit   | b. annual percentage rate (APR) |
| 3. _____  | 3. a contractual agreement to pay a debt if the borrower does not pay it   | c. balloon payment              |
| 4. _____  | 4. a measure of financial ability to repay a loan  | d. bankruptcy                   |
| 5. _____  | 5. a company that collects information about your credit history and sells it to lenders   | e. capacity                     |
| 6. _____  | 6. property pledged to back a loan   | f. capital                      |
| 7. _____  | 7. the ability to borrow money in return for a promise of future repayment   | g. character                    |
| 8. _____  | 8. the total amount a borrower must pay for a loan   | h. collateral                   |
| 9. _____  | 9. the finance charge calculated as a percentage of the amount borrowed  | i. cosign a loan                |
| 10. _____ | 10. a measure of your credit worthiness, often computed as a numerical score, using the FICO scoring system to analyze your credit history | j. credit                       |
| 11. _____ | 11. a statement in a credit contract that requires you to repay the entire loan immediately if you miss a payment                          | k. credit bureau                |
| 12. _____ | 12. the time between the billing date and due date when no interest is charged   | l. credit history               |
| 13. _____ | 13. a final loan payment that is much larger than the regular monthly payments   | m. credit limit                 |
| 14. _____ | 14. the maximum amount that you may charge on your credit account  | n. credit rating                |
| 15. _____ | 15. a record of your past borrowing and repayments   | o. credit worthiness            |
| 16. _____ | 16. a large loan used to pay off a number of smaller loans   | p. debt consolidation loan      |



STUDENT \_\_\_\_\_ CLASS \_\_\_\_\_ DATE \_\_\_\_\_

## Chapter 13 Housing—A Place to Call Home

### 13.1 Your Housing Options

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. dormitories \_\_\_\_\_  
\_\_\_\_\_
2. efficiency apartment \_\_\_\_\_  
\_\_\_\_\_
3. duplex apartment \_\_\_\_\_
4. condominium \_\_\_\_\_
5. mobile home \_\_\_\_\_  
\_\_\_\_\_
6. lease \_\_\_\_\_  
\_\_\_\_\_

#### *Concepts Review*

7. If you want to rent an apartment and don't have enough furniture or money to buy furniture, what are your options?  
\_\_\_\_\_  
\_\_\_\_\_
8. What facilities might you find at an apartment complex?  
\_\_\_\_\_  
\_\_\_\_\_

9. When you own a condominium (or townhouse), for what do your "common fees" pay?

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10. Of your ownership options (house, condominium, mobile home), which one does not increase in value over time?

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**Critical Thinking**

11. Why do you think most colleges and universities require their freshmen students to live on campus?

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12. Why is it important to discuss rules of behavior and division of responsibilities with a prospective roommate before you move in together and/or sign a lease?

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**Consumer Applications**

13. Deanna and Sharon are considering moving in together into a two-bedroom apartment. They are both nurses. Deanna works from 7:00 a.m. to 3:30 p.m., and Sharon works from 3:00 p.m. to 11:30 p.m. They feel that this is ideal, because they won't be home together very often, and they'll both have the place to themselves a large part of the time. Do you think they still need to agree on rules of behavior and division of responsibilities?

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## Chapter 13 Housing—A Place to Call Home

### 13.2 How to Rent an Apartment

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. tenant \_\_\_\_\_
2. landlord \_\_\_\_\_
3. security deposit \_\_\_\_\_

#### *Concepts Review*

4. How do you start your search for an apartment?  
\_\_\_\_\_  
\_\_\_\_\_

5. How do you know how much rent you can afford?  
\_\_\_\_\_  
\_\_\_\_\_

6. What are some sources of finding an apartment?  
\_\_\_\_\_  
\_\_\_\_\_

7. What is the purpose of a checklist?  
\_\_\_\_\_  
\_\_\_\_\_

8. What is the purpose of a lease?  
\_\_\_\_\_  
\_\_\_\_\_

**Critical Thinking**

9. Why do you think landlords disallow or require an extra security deposit for waterbeds?

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10. What would you ask the current tenants and neighbors of an apartment that you were interested in renting?

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**Consumer Applications**

11. Deanna and Sharon stayed in their apartment together for two years and can now afford to move out into a bigger one with more amenities. Prior to moving in, they walked through the apartment with the landlord and made a list of any existing damage. Now, they are getting ready to move. What would you recommend to them to make sure they get their security deposit back?

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## Chapter 13 Housing—A Place to Call Home

### 13.3 How to Buy a Home

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. mortgage \_\_\_\_\_  
\_\_\_\_\_
2. principal \_\_\_\_\_  
\_\_\_\_\_
3. points \_\_\_\_\_  
\_\_\_\_\_
4. closing costs \_\_\_\_\_  
\_\_\_\_\_
5. escrow account \_\_\_\_\_  
\_\_\_\_\_
6. mortgage insurance \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
7. fixed-rate mortgage \_\_\_\_\_  
\_\_\_\_\_
8. adjustable-rate mortgages (ARMs) \_\_\_\_\_  
\_\_\_\_\_
9. FHA mortgage \_\_\_\_\_  
\_\_\_\_\_
10. VA mortgage \_\_\_\_\_  
\_\_\_\_\_
11. graduated-payment mortgage \_\_\_\_\_  
\_\_\_\_\_
12. appreciates \_\_\_\_\_  
\_\_\_\_\_

13. home equity loan \_\_\_\_\_  
\_\_\_\_\_
14. offer \_\_\_\_\_
15. earnest money \_\_\_\_\_

**Concepts Review**

16. What is the greatest advantage of a fixed-rate mortgage?  
\_\_\_\_\_
17. What percent of your income can you generally afford when you're buying a house?  
\_\_\_\_\_

**Critical Thinking**

18. Why do you think lenders require homeowners to carry homeowner's insurance?  
\_\_\_\_\_  
\_\_\_\_\_
19. Why do you think lenders require an escrow account to be set up?  
\_\_\_\_\_

**Consumer Applications**

20. Ed and Elaine are buying their first house and have saved \$20,000 for a down payment on a \$100,000 home. They are eligible for an FHA loan and would have to only put \$10,000 down. If they go with a conventional 30-year mortgage at 8 percent interest, they would have to pay \$7.34 for every \$1,000 they borrow. But if they opt for the FHA loan, it would be 7 1/2 percent interest. How much would their mortgage payment be (excluding taxes and insurance) with each option? How much would they end up paying altogether for their house with each option?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## Chapter 13 Housing—A Place to Call Home

### 13.4 How to Furnish Your Home

#### *Concepts Review*

1. How can you plan what you will need when you are starting to furnish your home?

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2. What are three considerations involved when choosing what furniture to buy?

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3. When shopping for furniture and appliances, should you buy the highest-quality or the lowest-priced item?

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4. What type of wood makes the highest quality furniture? Why?

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5. What is an *appliance*?

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6. What is one good way to find out about the strengths and weaknesses of different brands?

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7. Of what things should you be sure when you buy a floor model of an appliance?

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### ***Critical Thinking***

8. Your textbook gives two examples of appliances that are necessities, a furnace and a water heater. List two more appliances that are necessities, then list ten appliances that are luxuries. How many of these luxuries are in your home?

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9. If you were looking at two different appliances that were the same price, but one had more options than the other, what might that tell you about the quality of each of the appliances?

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### ***Consumer Applications***

10. When Patti and Steve bought their home, they wanted to upgrade their major kitchen appliances and furnish their living room. Patti wanted a new refrigerator and dishwasher. Steve wanted a new couch and TV so they could put the old TV in their bedroom. What would you say would be a fair solution if they could only afford two new items?

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## Consumer Economics "Economic Education for Consumers"

### Chapter 13: Housing - A Place To Call Home

#### TERMS REVIEW

Match each term on the left with its definition on the right. Some terms may not be used.

- |           |  |                                   |
|-----------|--|-----------------------------------|
| 1. _____  | 1. apartment consisting of one room that serves as the living area, bedroom, and kitchen, plus a bathroom  | a. adjustable-rate mortgage (ARM) |
| 2. _____  | 2. collection of fees you must pay when you sign mortgage paperwork to cover tasks the lender must do related to your loan   | b. appreciate                     |
| 3. _____  | 3. home loan for which the interest rate remains the same throughout the term of the loan  | c. closing costs                  |
| 4. _____  | 4. legal contract that gives you the right to occupy property for a specified period of time, as long as you pay the rent and follow the rules specified in the contract | d. condominium                    |
| 5. _____  | 5. owner of rental property  | e. dormitories                    |
| 6. _____  | 6. loan to buy real estate, such as land or a home   | f. down payment                   |
| 7. _____  | 7. grow in value over time   | g. duplex apartment               |
| 8. _____  | 8. rooms that colleges rent to students at a reasonable price, usually in large complexes  | h. earnest money                  |
| 9. _____  | 9. amount borrowed   | i. efficiency apartment           |
| 10. _____ | 10. percentage of the purchase price that the borrower pays up front   | j. escrow account                 |
| 11. _____ | 11. apartment that a consumer owns rather than rents   | k. FHA mortgage                   |
| 12. _____ | 12. someone who rents an apartment or other home   | l. fixed-rate mortgage            |
| 13. _____ | 13. mortgage lender's service charge, each unit being equal to 1 percent of the principal  | m. graduated- payment mortgage    |
| 14. _____ | 14. home loan for which the interest rate goes up or down as rates in the economy rise or fall   | n. home equity loan               |
| 15. _____ | 15. home loan insured by the Federal Housing Administration, designed to reduce the down payment   | o. landlord                       |
| 16. _____ | 16. holding account used by a mortgage lender to accumulate the borrower's funds for taxes and insurance until these payments are due                                    | p. lease                          |
| 17. _____ | 17. deposit paid by a home buyer as proof of intention to buy at the price stated in the offer   | q. mobile home                    |
| 18. _____ | 18. money the landlord holds to cover any damages to rental property   | r. mortgage                       |
| 19. _____ | 19. an apartment with rooms on two floors of a building  | s. mortgage insurance             |
| 20. _____ | 20. allows you to make small payments for a few years and larger payments later  | t. offer                          |
|           |  | u. points                         |
|           |  | v. principal                      |
|           |  | w. security deposit               |
|           |  | x. tenant                         |
|           |  | y. VA mortgage                    |

STUDENT \_\_\_\_\_ CLASS \_\_\_\_\_ DATE \_\_\_\_\_

## Chapter 14 Automobile and Home Insurance— Sharing the Risk

### 14.1 Insurance Basics

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. insurance \_\_\_\_\_  
\_\_\_\_\_

2. premium \_\_\_\_\_

3. policy \_\_\_\_\_

4. claim \_\_\_\_\_

5. shared risk \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

6. insurable interest \_\_\_\_\_  
\_\_\_\_\_

7. appraisal \_\_\_\_\_

8. rider \_\_\_\_\_

9. property insurance \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

10. market value \_\_\_\_\_

11. replacement value \_\_\_\_\_  
\_\_\_\_\_

12. liability insurance \_\_\_\_\_

**Concepts Review**

13. What is risk management?

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14. How do insurance companies use statistics?

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15. What is the difference between market value and replacement value?

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**Critical Thinking**

16. How do you think you can determine the amount of life insurance to buy?

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17. Do you think it costs more to insure something for market value or replacement value? Explain your answer.

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**Consumer Applications**

18. Kendra has two children and is opening a day-care center in her home. She has purchased all of the necessary equipment, and has created an outdoor play space. What type of insurance does she need to protect herself and her business?

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## Chapter 14 Automobile and Home Insurance— Sharing the Risk

### 14.2 Automobile Insurance

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. bodily injury liability coverage \_\_\_\_\_  
\_\_\_\_\_
2. deductible \_\_\_\_\_
3. points \_\_\_\_\_  
\_\_\_\_\_
4. assigned risk \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#### *Concepts Review*

5. How do you interpret the numbers 100/300 on your insurance policy?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
6. What does comprehensive insurance cover?  
\_\_\_\_\_  
\_\_\_\_\_
7. How is the cost of collision and comprehensive insurance determined?  
\_\_\_\_\_

8. How does the deductible you choose affect your premium?

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9. What are some reasons for increasing insurance costs?

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**Critical Thinking**

10. Insurance companies classify policyholders by age, sex, and marital status, and they charge different premiums depending on the person's classification. Do you think this is discrimination? Explain your answer.

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11. Since most states require drivers to purchase insurance, why do you think it would be necessary to purchase uninsured/underinsured motorist coverage?

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**Consumer Applications**

12. Ivy was driving in a severe rainstorm and she collided with another car. The two passengers in the other vehicle were injured and filed suit. One claim was for \$150,000 and the other was for \$175,000. The driver of the other car was not harmed, but his vehicle sustained damage totaling \$6,600. Ivy's bodily injury liability coverage is 100/300/50. How much money will Ivy's insurance pay to settle these claims? How much will Ivy be responsible for paying?

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## Chapter 14 Automobile and Home Insurance— Sharing the Risk

### 14.3 Home Insurance Coverage

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. homeowner's insurance \_\_\_\_\_  
\_\_\_\_\_
2. umbrella policy \_\_\_\_\_  
\_\_\_\_\_
3. renter's insurance \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
4. 80 percent rule \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

#### *Concepts Review*

5. What are the two types of coverage provided by a homeowner's insurance policy?  
\_\_\_\_\_
6. Which type of coverage do you think would be higher? Why?  
\_\_\_\_\_  
\_\_\_\_\_
7. What are some special risks that ordinary homeowner's insurance does not cover?  
\_\_\_\_\_

8. What are the premiums charged for homeowner's insurance based on? What does this tell the underwriters?

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**Critical Thinking**

9. Why do you think that there are some exclusions in a homeowner's insurance policy? Why would the homeowner have to buy a special rider to cover certain items?

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10. Why do you think the owner, not the tenant, is responsible for the homeowner's insurance covering the structure or accidents that take place outside the structure?

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**Consumer Applications**

11. John's family has owned an old Victorian home for several generations. The home has never been upgraded or modernized. John recently inherited the home; he and his wife Nadine moved into the home currently valued at \$80,000. What things can they do to decrease their insurance premiums?

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## Chapter 14 Automobile and Home Insurance— Sharing the Risk

### 14.4 Providers and the Claims Process

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. no-fault insurance \_\_\_\_\_  
\_\_\_\_\_

#### *Concepts Review*

2. What do you expect to get from your insurance in exchange for your premium?  
\_\_\_\_\_  
\_\_\_\_\_
3. Why should you not necessarily buy insurance from a company that offers the lowest price?  
\_\_\_\_\_  
\_\_\_\_\_
4. What is the function of an insurance agent?  
\_\_\_\_\_
5. What are two kinds of insurance agents, and what is the difference?  
\_\_\_\_\_  
\_\_\_\_\_
6. If you wanted to learn about the best insurance companies, and you checked *Best's Insurance Reports*, what information would you find?  
\_\_\_\_\_  
\_\_\_\_\_



7. What is the easiest way to check an insurance company's claim service and what information will it provide?

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**Critical Thinking**

8. In addition to taking pictures of each room, what would be the easiest, safest, and most accurate way to keep track of all your electronic equipment and appliances to determine their value?

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9. Why do many insurance companies disburse claim checks to both the insured and the contractor/auto body repair shop? Why would they care if the work gets done or not?

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**Consumer Applications**

10. Meryam was involved in an accident with another driver. It was clearly the other driver's fault, and the driver even admitted it. As they exchanged information, the driver begged Meryam not to report it to the police or file the claim with her insurance company. Because he had a bad driving record, he feared he would lose his license or his insurance company would either raise his rates or drop him. He promised to reimburse her out of his pocket. What should Meryam do?

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## Consumer Economics "Economic Education for Consumers"

### Chapter 14: Auto & Home Insurance - Sharing the Risk

#### TERMS REVIEW

Match each term on the left with its definition on the right. Some terms may not be used.

- |           |  |   |
|-----------|--|---|
| 1. _____  | 1. insurance that pays for damage you caused to another person's property  | a. 80 percent rule                            |
| 2. _____  | 2. insurance principle of using premiums from many policyholders to reimburse the losses of a few, so that no one suffers a financially devastating loss                               | b. appraisal                                  |
| 3. _____  | 3. something of value that, if lost, would cause you financial harm  | c. assigned risk                              |
| 4. _____  | 4. an expert's determination of the value of a piece of property   | d. bodily injury liability coverage           |
| 5. _____  | 5. formal request made to an insurance company for payment for a loss  | e. claim                                      |
| 6. _____  | 6. insurance contract  | f. collision coverage                         |
| 7. _____  | 7. laws adopted in some states that require each person's automobile insurance company to pay for the insured's losses, no matter who caused the accident                              | g. comprehensive coverage                     |
| 8. _____  | 8. bad marks recorded on a person's driving record because of traffic violations and accidents   | h. deductible                                 |
| 9. _____  | 9. special addition to an insurance policy that covers a specific loss not covered in the standard policy  | i. homeowners insurance                       |
| 10. _____ | 10. insurance that protects you against financial loss, including the cost of your legal defense, when you are legally responsible for injuring other people in an automobile accident | j. insurable interest                         |
| 11. _____ | 11. risk management tool that limits financial loss due to illness, injury, or damage in exchange for a premium  | k. insurance                                  |
| 12. _____ | 12. insurance that pays for damage to your car caused by something other than a collision. It includes damage from storms, vandalism, and theft  | l. liability insurance                        |
| 13. _____ | 13. regular payment required to purchase insurance   | m. market value                               |
| 14. _____ | 14. amount you pay for a loss before the insurance company pays anything   | n. medical payments coverage                  |
| 15. _____ | 15. driver who has been assigned an insurance company by the state because a bad driving record makes every other company unwilling to insure the person                               | o. no-fault insurance                         |
| 16. _____ | 16. insurance that provides additional liability protection beyond that in an automobile or homeowner's policy   | p. points                                     |
| 17. _____ | 17. amount an item is worth now  | q. policy                                     |
|           |  | r. premium                                    |
|           |  | s. property damage liability coverage         |
|           |  | t. property insurance                         |
|           |  | u. renter's insurance                         |
|           |  | v. replacement value                          |
|           |  | w. rider                                      |
|           |  | x. shared risk                                |
|           |  | y. umbrella policy                            |
|           |  | z. uninsured / underinsured motorist coverage |

STUDENT \_\_\_\_\_ CLASS \_\_\_\_\_ DATE \_\_\_\_\_

# Chapter 15 Health and Life Insurance—Your Personal Security

## 15.1 Health Insurance Basics

### *Key Terms Review*

Define each of the following vocabulary terms.

- 1. malpractice insurance \_\_\_\_\_  
\_\_\_\_\_
- 2. generic drugs \_\_\_\_\_  
\_\_\_\_\_

### *Concepts Review*

- 3. What are some of the contributing factors to the rising cost of healthcare?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- 4. What does the hospitalization portion of a policy cover?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
- 5. What additional insurance coverage can you purchase?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

6. What are some health needs for which you might need special coverage?

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**Critical Thinking**

~~7. Why do you think most policies exclude coverage for medications like contraceptives, diet drugs, experimental drugs, and those that treat depression?~~

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8. Do you think that doctors need more malpractice insurance today than they did 20 years ago? Why or why not?

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**Consumer Applications**

9. Nomar owns a roofing business. He is married, has four children, and owns a home. One of his children has a hereditary heart condition that needs monthly monitoring at the hospital. What type of insurance coverage do you think Nomar should purchase? Explain your answer.

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# Chapter 15 Health and Life Insurance—Your Personal Security

## 15.2 Health Insurance Plans

### *Key Terms Review*

Define each of the following vocabulary terms.

1. fee-for-service plan \_\_\_\_\_  
\_\_\_\_\_
2. 80/20 coverage \_\_\_\_\_  
\_\_\_\_\_
3. coinsurance \_\_\_\_\_
4. reasonable and customary charges \_\_\_\_\_  
\_\_\_\_\_
5. managed care plans \_\_\_\_\_  
\_\_\_\_\_
6. capitation \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
7. copayment \_\_\_\_\_  
\_\_\_\_\_
8. health maintenance organization (HMO) \_\_\_\_\_  
\_\_\_\_\_
9. primary care physician \_\_\_\_\_
10. preferred provider organization (PPO) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

11. point-of-service (POS) plan \_\_\_\_\_  
\_\_\_\_\_

### **Concepts Review**

12. What is the relationship between the amount of deductible you choose and your premium?  
\_\_\_\_\_

13. What are the three basic types of managed care plans?  
\_\_\_\_\_

14. Which managed care plan is most like a fee-for-service plan?  
\_\_\_\_\_

### **Critical Thinking**

15. How do you think insurance companies determine what is a reasonable and customary charge for a particular service?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

16. Why do most managed care plans require you to obtain preapproval for nonemergency hospitalization?  
\_\_\_\_\_  
\_\_\_\_\_

### **Consumer Applications**

17. Mitchell's fee-for-service insurance policy has a \$300 deductible and 80/20 coverage. He was hospitalized for pneumonia and the charges totaled \$2,200. His insurance company's reasonable and customary charges for this treatment is \$1,900. How much will Mitchell pay for his treatment? How much will the insurance company pay?  
\_\_\_\_\_  
\_\_\_\_\_

## Chapter 15 Health and Life Insurance—Your Personal Security

### 15.3 Choose a Health Plan

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. open enrollment \_\_\_\_\_  
\_\_\_\_\_
2. COBRA \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
3. pre-existing condition \_\_\_\_\_  
\_\_\_\_\_
4. Medigap \_\_\_\_\_  
\_\_\_\_\_
5. Medicaid \_\_\_\_\_
6. workers' compensation \_\_\_\_\_  
\_\_\_\_\_

#### *Concepts Review*

7. Why are health insurance premiums for groups lower than those for individuals?  
\_\_\_\_\_  
\_\_\_\_\_
8. How can a pre-existing condition affect your insurance coverage?  
\_\_\_\_\_  
\_\_\_\_\_

9. What qualifications do you need to meet in order to qualify for Medicare? For Medicaid?

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10. What should be your goal in buying insurance?

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**Critical Thinking**

11. Why do you think it is necessary to ask yourself so many questions to help determine what health care coverage is most important to you?

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12. When you begin your job at a company, why might there be a waiting period to be covered by the new employer's health plan?

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**Consumer Applications**

13. Zachary works part-time. His employer has recently informed him that he will now be eligible for health benefits. Zachary currently has an individual policy. Because of a skin condition, Zachary goes regularly to a dermatologist. This doctor would not be covered under Zachary's new plan. What issues does Zachary face in making the decision to either continue his individual policy or accept the employer's health plan?

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## Chapter 15 Health and Life Insurance—Your Personal Security

### 15.4 Health Care Rights and Responsibilities

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. patients' bill of rights \_\_\_\_\_  
\_\_\_\_\_

2. referral \_\_\_\_\_  
\_\_\_\_\_

#### *Concepts Review*

3. Why is it your responsibility to become involved in health care decisions?

\_\_\_\_\_  
\_\_\_\_\_

4. Why is it your responsibility to report wrongdoing and fraud to authorities, even if it doesn't affect your health or treatment?

\_\_\_\_\_  
\_\_\_\_\_

5. What is a potential problem with the referral policy of many managed plans?

\_\_\_\_\_  
\_\_\_\_\_

6. Why do managed care plans require you to choose your doctors from among those who participate in the plan?

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

7. If you cannot resolve a dispute over an unpaid claim with your insurance company, what should you do?

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***Critical Thinking***

8. Why do you think many insurance companies and providers voluntarily follow the proposed patients' bill of rights?

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9. Why might a primary care physician refuse to refer you to a specialist?

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***Consumer Applications***

10. Jonas was diagnosed with a very rare form of cancer. His physicians have told him that regular cancer treatments would be ineffective. A new treatment exists that has been used successfully in other countries, but it has not yet been approved by the Food and Drug Administration. Do you think Jonas' insurance company should cover this experimental drug? Why or why not?

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## Chapter 15 Health and Life Insurance—Your Personal Security

### 15.5 Life Insurance

#### *Key Terms Review*

Define each of the following vocabulary terms.

1. death benefit \_\_\_\_\_  
\_\_\_\_\_
2. beneficiary \_\_\_\_\_
3. term life insurance \_\_\_\_\_  
\_\_\_\_\_
4. permanent life insurance \_\_\_\_\_  
\_\_\_\_\_

#### *Concepts Review*

5. What is the purpose of life insurance?  
\_\_\_\_\_  
\_\_\_\_\_
6. How do life insurance companies calculate how much to charge you for the coverage they sell?  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_
7. Why does the premium for term life insurance increase as your age increases?  
\_\_\_\_\_
8. What is the major advantage of renewable term life insurance?  
\_\_\_\_\_

9. How does permanent life insurance work?

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**Critical Thinking**

10. Being able to convert to permanent life insurance without evidence of insurability would be a benefit to someone who had a terminal illness or practiced a dangerous hobby and would otherwise be unable to obtain life insurance. Do you think it is ethical to convert the policy if you know you are a high risk? Why or why not?

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11. Why do you think that people today are less likely to choose life insurance as an investment option than the stocks, bonds, or mutual funds?

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**Consumer Applications**

12. Lucy is 32 years old and stays at home with her three children, ages 2, 4, and 6 months. Lucy does not have any life insurance but thinks that she should buy a policy. Her husband disagrees. Do you think that Lucy needs life insurance? Why or why not?

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## Consumer Economics "Economic Education for Consumers

### Chapter 15: Health & Life Insurance - Your Personal Security

#### TERMS REVIEW

Match each term on the left with its definition on the right. Some terms may not be used.

- |     |       |   |  |
|-----|-------|---|--|
| 1.  | _____ | 1. managed care health insurance plan that allows you to choose providers outside the plan if you pay a larger part of the cost and does not require you to get referrals from a primary care physician | a. 80/20 coverage                        |
|     |       |   | b. beneficiary                           |
|     |       |   | c. capitation                            |
| 2.  | _____ | 2. government-sponsored health insurance designed for people with low incomes or disabilities, regardless of age  | d. COBRA                                 |
|     |       |   | e. coinsurance                           |
| 3.  | _____ | 3. fees for each medical treatment that the insurance company determines to be normal in your geographic area   | f. copayment                             |
|     |       |   | g. death benefit                         |
| 4.  | _____ | 4. health insurance coverage that you pay for in advance instead of paying for services as you use them   | h. fee-for-service (or indemnity) plan   |
| 5.  | _____ | 5. under managed care health insurance, the specific amount you pay for particular services, regardless of the cost of those services   | i. generic drugs                         |
|     |       |   | j. health maintenance organization (HMO) |
| 6.  | _____ | 6. under fee-for-service health insurance, the portion of covered medical expenses you must pay, after meeting the deductible   | k. malpractice insurance                 |
|     |       |   | l. managed care plans                    |
| 7.  | _____ | 7. doctor in a managed care health plan that you select to coordinate your care and refer you to specialists  | m. Medicaid                              |
| 8.  | _____ | 8. life insurance that pays a death benefit if the policyholder dies within a specific time period, but has no remaining value at the end of this time  | n. Medigap                               |
|     |       |   | o. open enrollment                       |
| 9.  | _____ | 9. medications that have the same composition as their name brand counterparts, but are less expensive  | p. patients' bill of rights              |
|     |       |   | q. permanent life insurance              |
| 10. | _____ | 10. specified time each year when employees may sign up for the employer-sponsored health insurance plan  | r. point-of-service plan(POS)            |
| 11. | _____ | 11. type of health insurance in which you pay for health services as you receive them and submit a claim to the insurance company for reimbursement of covered expenses                                 | s. pre-existing condition                |
|     |       |   | t. preferred provider organization (PPO) |
|     |       |   | u. primary care physician                |
| 12. | _____ | 12. medical condition diagnosed or treated before you join a new insurance plan   | v. reasonable and customary charges      |
| 13. | _____ | 13. life insurance that provides a death benefit plus a savings plan and lasts for the policyholder's lifetime  | w.referral                               |
| 14. | _____ | 14. employer-paid insurance program that covers expenses for work-related injuries, illnesses, and death  | x. term life insurance                   |
|     |       |   | y. workers' compensation                 |