

Chapter 19

Personal Banking and Investments

Answer Key

Part 1: Content Review

Matching

1. E
2. D
3. G
4. H
5. B
6. J
7. I
8. F
9. A
10. C

Multiple Choice

1. B
2. D
3. A
4. C
5. A
6. D
7. B
8. D
9. D
10. A

Completion

1. checking account
2. debit card
3. savings plan
4. money order
5. interest-bearing
6. endorsement
7. personal investment
8. investment portfolio
9. collectibles
10. Roth IRA

Part 2: Concept Review

Open Response

1. The seller wants to make sure the check does not bounce. A cashier's check is a special type of check that a bank guarantees to pay. A certified check is a personal check that a bank certifies is genuine and that there is enough money in the account to cover the check.
2. You might write a check for an amount which exceeds the available amount in your checking account. This is called an overdraft or bounced check, which can result in a costly fee.
3. Four different types of savings accounts are interest-bearing savings, high-yield, money market, and certificates of deposit. Three factors that distinguish one type of account from another are the interest rates, minimum initial deposits and balances, and the ways the money can be withdrawn.
4. A traditional IRA is an individual retirement account that allows individuals to contribute pre-tax income to investment that will grow tax deferred. A Roth IRA is an individual retirement account into which individuals contribute after-tax income and qualified withdrawals are not taxed.
5. Student responses may vary. Consider the following when evaluating responses.

Credit Cards		Debit Cards	
Advantages	Disadvantages	Advantages	Disadvantages
<ul style="list-style-type: none"> • More convenient and safer than cash. • Grace period to pay. • Credit line makes larger purchase possible. • Provide some consumer protection. 	<ul style="list-style-type: none"> • Annual fee • Interest charged on unpaid balance. • Application is required to determine creditworthiness. • Potential to overspend. 	<ul style="list-style-type: none"> • More convenient and safer than cash. • Issued automatically to checking account customers. 	<ul style="list-style-type: none"> • No grace period. Same as writing a check.

Part 3: Math Skills

Adding, Subtracting, Multiplying, and Dividing Fractions

- 1.
2. (a.) The least common denominator is 8.
(b.)

$$\frac{3}{8} + \frac{1}{8} + \frac{3}{8} = \frac{7}{8} \text{ pound}$$

$$\frac{3}{8} + \frac{4}{8} = \frac{7}{8} \text{ pound}$$

- 3.

$$\frac{7}{8} - \frac{3}{8} = \frac{4}{8} = \frac{1}{2} \text{ pound}$$

4.

$$\frac{3}{8} \times \frac{1}{2} = \frac{3}{16} \text{ gallon}$$

5.

$$\frac{5}{8} \times \frac{8}{1} = \frac{40}{8} = 5 \text{ flower beds}$$

Part 4: Communication Skills

Speaking

1. Something that is done easily.
2. Reveal a secret.
3. Not feeling well.
4. Feeling unhappy.
5. The person you are talking about shows up.
6. It was expensive.
7. Begin something prematurely.
8. Don't scold me severely.
9. Raining heavily.
10. Playing a joke on someone.
11. Let me have more time to think about it.
12. He is young and inexperienced.
13. Something that will never happen.
14. Let's engage in idle conversation.
15. Do something inexpensively.