Financial Lit Quiz 1 Review Guide

Compound Interest – Interest on interest

Income – amount of money you make in a year

Long term investment – Investments held at least 10 years

Saving vs spending – the decision you make to spend now or save

Incentives – something that motivates you

Opportunity Cost – what you give up to get your 1st choice

Voluntary Exchange – your choice to buy, sell or trade

Choice – making a decision

Decision Making Model – steps to map out your ideas

Scarcity – unlimited wants with limited resources

5 Step Decision Making Process

* Identify the problem
* List Alternatives
* State Criteria
* Evaluate
* Make a Choice

How to Really be a millionaire T/F questions

1. Most millionaires are college graduates.
2. Most millionaires work less than 40 hours a week.
3. Most millionaires drive expensive new cars.
4. Many poor people become millionaires by winning the lottery.
5. Millionaires tend to be single rather than married.

Economic Way of Thinking Questions (Exercise 2.2)

Most High school students believe that school is boring. Yet most students graduate from high school. Why do students stay in school if it’s so boring? Please answer the following questions regarding high school in complete sentences.

1. What is the cost of staying in school?
2. What is the cost of dropping out of school?
3. What incentives encourage people to stay in school?
4. How does our economy encourage people to stay in school?
5. Is going to High school voluntary, or are you required to go to school?
6. Why would some people choose to drop out of school?
7. Why do most students choose to stay in school and graduate?
8. What are the possible future consequences of dropping out of school?