Supplementary material

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End-of-Chapter Questions

Chapter 1

1. The origins of personal finance as a field of study can be traced back to the work of
   a. David Davies in 1795.
   b. Le Play in 1878.
   c. the Tenth Lake Placid Conference.
   d. the formation of the American Home Economics Association.

2. A research and policy perspective that views a decision-maker as maximizing an objective function and taking the prices of securities in the market as a given is known as
   a. a macro-normative perspective.
   b. a micro-normative perspective.
   c. an ecological perspective.
   d. a resource management perspective.

3. In order for something to be a profession, it must have
   a. a code of ethics.
   b. a profit-making focus.
   c. a federal oversight/regulatory commission.
   d. a code of ethics and a federal oversight/regulatory commission.

4. The primary emphasis of personal finance research tends to be focused on
   a. consumption patterns of households.
   b. economic models of supply and demand.
   c. improving individual, family, and household financial well-being.
   d. the therapeutic application of financial counseling theory.

5. Which of the following is not a commonly used theoretical framework applied to personal finance studies?
   a. Human Ecological Model.
   b. Life Cycle Hypothesis.
   c. Theory of Planned Behavior.
   d. Financial Planning Change Model
1. The history of personal finance can trace it roots back to
   a. the origins of the Survey of Consumer Finances.
   b. work done by Davies to understand how individuals and families allocated
      resources during changing social and economic times.
   c. the aftermath of the Great Depression.
   d. the introduction of income taxation as a public policy tool.

2. In the 1990s, the U.S. Navy determined that poor financial behavior exhibited by service
   personnel resulted in
   a. an increase in divorce among those who served in the Navy.
   b. a reduction in security clearances.
   c. lost productivity as service members spent time trying to fix letters of
      indebtedness and other financial problems.
   d. all of the above.

3. An outcome associated with appropriate personal financial behaviors includes:
   a. Enhanced retirement planning.
   b. Decrease employee retention and increased job mobility.
   d. All of the above.
   e. Only a and c.

4. What percent of Americans are considered financially literate?
   a. Less the 10%.
   b. Between 34% and 42%.
   c. Between 37% and 59%.
   d. More than 70%.

5. Which of the following statements is true?
   a. The relationship between personal finance concepts, tools, and techniques and
      behavioral outcomes is positive.
   b. The causal effect from personal finance to behavioral outcomes cannot be
      evaluated due to endogeneity issues.
   c. The relationship between personal finance concepts, tools, and techniques and
      behavioral outcomes is negative.
   d. Differences in personal finance knowledge can explain as much as 85% of the
      wealth gap seen around the world.
Chapter 3

1. What are the primary causes of change in the way personal finance advice is delivered?
   I. New Regulations
   II. Variations in Communication Technology
   III. Digitalization of data
   
   a. II only
   b. I and II only
   c. I and III only
   d. I, II, and III

2. Which of the following statement is true?
   a. Face-to-face financial advice will disappear in the next 10 years.
   b. Robo-advisory services will dominate the high net worth financial advisory space within the next 10 years.
   c. Consumers will continue to seek out financial advice from financial advisors even with FinTech growing in importance.
   d. Bank will regain market dominance in terms of providing personal finance advice over FinTech providers of advice.

3. Which of the following fields of study examines the cognitive factors and affective issues that individuals, financial experts, and traders reveal during the financial planning process?
   a. Investment behavior (behavioral finance).
   b. Financial therapy.
   c. Financial planning
   d. Investment brokerage.

Chapter 4

1. What explains the slow adoption of investment products by South Korean consumers?
   a. Prior to 2000, consumers could earn high rates of return on bank products, which reduced the need to invest in other securities.
   b. Government regulations restricted investments outside of bank products.
   c. The Jeon-Sei system imposed high taxation on investment profits.
   d. All of the above explain the slow adoption of investment products by South Korean consumers.

2. The primary way consumers pay for personal finance advice in Korean, and throughout much of Asia is through
   a. fees paid directly to a service provider.
   b. commissions paid on the purchase of a product.
   c. hourly charges.
   d. financial literacy marketplaces.
3. What makes it difficult for South Korean consumers to accumulate severance payments to meet later-life needs?
   a. A rapidly decreasing population age.
   b. Relative stability of lifetime employment.
   c. Relatively short stay with one employer
   d. A reliance on annuity products.

4. Which of the following statement is true regarding the financial literacy of those living in South Korea?
   a. The lowest financial literacy scores for South Koreans are related to knowledge.
   b. Financial literacy scores for South Koreans match those of consumers living in the European Union.
   c. Older consumers in South Korea exhibit the highest levels of financial literacy.
   d. Overall, South Korean financial literacy is quite high.

5. Nearly all personal finance research originating out of South Korea uses
   a. case studies.
   b. experimental methods.
   c. mixed-methods.
   d. survey data.

Chapter 5

1. By definition, which of the following draws from behavioral finance and other areas of psychology to help alleviate financial stress and promote healthy financial behaviors?
   a. Financial planning
   b. Financial counseling
   c. Financial psychology
   d. Financial therapy

2. The origins of financial planning, which is one form of applied personal finance, can trace its historical roots to
   a. 1869
   b. 1911
   c. 1959
   d. 1969

3. The primary purpose of theory is to
   a. describe phenomena.
   b. explain phenomena.
   c. guide the development of products and services.
   d. describe phenomena in a way that provides useful practice implications.
4. Which of the following is an important economics and family studies theory?

   a. Human capital theory.
   b. Efficient market hypothesis.
   c. Financial planning client interaction theory.
   d. Adlerian theory.

5. A financial therapist would be most likely to use

   a. modern portfolio theory.
   b. strategic planning and management.
   c. solution-focused brief therapy.
   d. the theory of the allocation of time.

Chapter 6

1. Which of the following is not a domain of financial behavior?

   a. Establishing a financial goal.
   b. Paying bills on time.
   c. Maximizing financial well-being.
   d. Successfully implementing a budget.

2. When a household exhibits a sense of financial freedom, it is able to (a) pay bills on time, (b) plan for the future, and (c) not worry about unexpected financial shocks. When this occurs, the household is thought to have achieved

   a. financial well-being.
   b. a sense of purpose.
   c. portfolio optimization.
   d. resource optimization.

3. The notion that the allocation of non-working time is important in describing economic welfare is an argument embedded in

   a. classical economic theory.
   b. ‘new home economics.’
   c. life cycle theory.
   d. the permanent income hypothesis.

4. The process of monitoring all sources of cash inflow and outflows is called

   a. budgeting.
   b. SMART goal management.
   c. deploying.
   d. cash flow management.
5. A process designed to facilitate behavior change that is based on orienting client communications around a client’s strengths, skills, and available resources is called

   a. solution-focused therapy.
   b. appreciative inquiry.
   c. cognitive-behavioral therapy.
   d. the ‘new home economics’.

Chapter 7

1. According to the Life-Cycle Hypothesis (LCH), someone whose current income exceeds their permanent income should

   a. save.
   b. borrow.
   c. invest.
   d. retire.

2. Those who do not have a permanent job, and those who perceive the risk of unemployment to be high, tend to invest more

   a. in long-term bonds.
   b. in liquid assets.
   c. in single stocks.
   d. in high-risk assets.

3. According to Keister (2004), individuals that grew up in a family with many siblings, compared to those who grew up in families with few or no siblings, tend to be

   a. wealthier.
   b. disadvantaged.
   c. more financial literate.
   d. risk-averse.

4. What is the consequence of savings when someone expects a generous social security benefit?

   a. People take less financial risk.
   b. People invest in more liquid assets.
   c. People are less prone to save.
   d. People tend to spend less.

5. With respect to the average household, what happens to the weight of non-financial (residence) assets in a household’s portfolio for high-wealth individuals?

   a. It increases.
   b. It decreases.
   c. It disappears.
   d. It remains almost the same.
Chapter 8

1. The classic theories used to explain savings behavior are:
   a. Life-Cycle Hypothesis and Permanent Income Hypothesis.
   b. Life-Cycle Hypothesis and Education Hypothesis.
   c. Permanent Income Hypothesis and Factor Hypothesis.
   d. Education Hypothesis and Factor Hypothesis.

2. Which of the following factors have been shown to be associated with saving behavior?
   a. Gender, income, education, and financial knowledge.
   b. Education and income.
   c. Gender and income.
   d. Education, income, gender, investor optimism and financial literacy.

3. One of the more efficient ways that has been proven to encourage new savings and increase the personal savings rate is:
   a. It is impossible to increase the individual savings rate.
   b. Encourage employers/governments to provide a higher match/contribution to retirement savings.
   c. Modify the tax treatment to encourage savings, like it was done in the United States in the 1980s with the introduction of IRAs.
   d. Focus more on the psychological aspect of savings and how people behave and focus less on the income and wealth of the individual as income is irrelevant in the desire to save.

4. To improve the financial situation of their clients, financial advisors can focus on which of the following?
   a. Increase human capital as it represents the largest portion of an individual’s wealth for most of her life.
   b. Develop skills in financial therapy and counseling to integrate the psychological aspect of savings to traditional finance knowledge.
   c. Focus on the cyclical approach to savings rather than on the linear one as it results in higher savings for individuals.
   d. All of the above are ways financial advisors could help their clients save more.

Chapter 9

1. Risk can refer to
   a. the uncertainty of future outcomes.
   b. a person’s willingness to take risk.
   c. a decision-maker’s desire to reduce portfolio volatility.
   d. all of the above.
2. Jared is unwilling to invest in assets that can produce large losses, even when an asset can generate a high annualized return. Jared is considered to

a. have a low degree of risk literacy.
   b. be a knowledgeable investor.
   c. risk averse.
   d. suffer from the Fallacy of Ceteris Paribus.

3. Which of the following risk-tolerance assessment techniques is considered to be the most valid?

a. Professional judgment.
   b. Heuristics.
   c. Single-item questions.
   d. Risk scales.

4. Prospect Theory suggest that

a. investors feel gains for acutely than losses.
   b. a decision-maker’s risk tolerance will depend on the way a scenario is framed.
   c. decision makers weight gains and losses equally.
   d. rather than being convex, the value function for gains is linear.

5. Uncertainty

a. cannot be defined with a probability distribution.
   b. is a subjective evaluation.
   c. is another name for risk.
   d. is a known probability variation.

Chapter 10

1. The period over which evaluations of decision outcomes are made is called

a. a time horizon.
   b. a decision time frame.
   c. a time orientation.
   d. a time perspective.

2. When a researcher discusses temporal myopia or a present focus they are generally referring to a person’s

a. time horizon.
   b. decision time frame.
   c. time orientation.
   d. time perspective.
3. Which of the following time perspectives tends to be associated with long-term planning and an ability to resist temptation?
   a. Present-fatalistic.
   b. Present-hedonistic.
   c. Past-positive.
   d. Future.

4. Which factor or factors must exist in order for an investor’s time horizon to be excluded from a mean-variance optimization model?
   a. Expected returns are assumed to be constant over time.
   b. Variance of returns is assumed to be constant over time.
   c. Covariances of returns are assumed to be constant over time.
   d. Expected returns, variance of returns, and covariances of returns are each assumed to be constant over time.

5. A decision-maker with a time horizon of more than 9 months up to 2.5 years can be classified as having a
   a. short-term time horizon.
   b. moderately short time horizon.
   c. short-intermediate term time horizon.
   d. modest time horizon.

Chapter 11

1. Liquid assets divided by current debt is known as the
   a. liquidity ratio.
   b. current ratio.
   c. savings ratio.
   d. solvency ratio.

2. What is the appropriate benchmark for the solvency ratio?
   a. Greater than or equal to 1.0.
   b. Less than or equal to 0.5.
   c. Less than or equal to 1.0.
   d. Greater than or equal to 2.5.

3. Sharon earns $85,000 on an annual basis. Her household expenditures equal 90% of her annual income. If Sharon currently holds $12,000 in liquid assets, what is her liquidity ratio?
   a. 0.16
   b. 0.53
   c. 1.88
   d. 6.38
Chapter 12

1. Which of the following is generally not taxable income?
   a. Employee compensation.
   b. Pensions.
   c. Transfers.
   d. Gifts.

2. Social Security and similar government-sponsored retirement systems is an example of
   a. an in-kind transfer.
   b. cash transfer.
   c. temporary assistance transfer.
   d. unconditional transfer.

3. Something that is available for collective consumption in society is called a
   a. public good.
   b. conditional good.
   c. unconditional good.
   d. transfer good.

4. Income received from a business when a taxpayer is not actively involved in the business is referred to as
   a. a commission.
   b. portfolio income.
   c. passive income.
   d. non-taxable income.

5. A tax in which the tax rate increases as the taxable amount increases is known as a
   a. flat tax.
   b. progressive tax.
   c. regressive tax.
   d. unitary tax.

Chapter 13

1. This form of consumer debt has grown to be the largest category of consumer debt, second only to mortgage loan debt among U.S. households.
   a. Credit Cards
   b. Automobile Loans
   c. Student Loans
   d. Non-loan Debt
2. The amount of consumer debt held in this category actually decreased slightly in 2020:
   a. Credit Cards
   b. Automobile Loans
   c. Student Loans
   d. Non-loan Debt

3. Credit card ownership rates vary by education. Recent data (2020) suggest that about 69% of households with a high school education or less have at least one card, compared to a rate of ____% among households with a bachelors’ or higher.
   a. 50
   b. 75
   c. 95
   d. 100

Chapter 14

1. Which of the following is not a qualification factor for mortgage approval?
   a. Credit score
   b. Debt-to-income ration
   c. Net worth
   d. Down payment

2. The minimum age for a home equity conversion mortgage HECM is:
   a. 59 ½
   b. 62
   c. Social Security Full Retirement Age (FRA)
   d. No minimum age

3. Within the behavioral life cycle hypothesis, self-control is characterized by all of the following except:
   a. Temptation
   b. Will-power
   c. Internal conflict
   d. Consumption smoothing

4. Conventional mortgages typically require a minimum down payment of:
   a. 0%
   b. 5%
   c. 20%
   d. Underwriters’ discretion
5. Financial knowledge overconfidence occurs when:
   a. Subjective knowledge exceeds objective knowledge.
   b. Objective knowledge exceeds subjective knowledge.
   c. Someone has a low financial literacy score.
   d. Someone avoids seeking financial advice for mortgage choices.

Chapter 15

1. All of the following are major sources of retirement income except?
   a. Social Security
   b. Employer-sponsored retirement plans
   c. Personal loans
   d. Personal savings

2. Which of the following is a correct statement discussed in this chapter?
   I. Aging population and increased life expectancy will have significant impact on retirement planning and preparedness.
   II. U.S. workers are more responsible for their own retirement savings due to the continued trend of retirement pension environment by the replacement of DB plans by DC plans.
   a. I only
   b. II only
   c. Both I and II
   d. Neither I nor II

3. Which of the following is not a correct statement discussed in this chapter?
   a. Social Security pensions will not be paid after 2034.
   b. Social Security pensions are a very important retirement income source for low and middle income workers.
   c. Most workers do not annuitize their investment assets at retirement.
   d. It is very difficult to predict what the inflation rate will be 20 years in the future.

4. Which of the following is not a correct statement based on this chapter?
   a. Annuityization at retirement can increase the feasible spending per year in retirement
   b. Most U.S. workers choose to annuitize their retirement savings at retirement
   c. Many workers unrealistically project that they are on track for an adequate retirement
   d. The arithmetic mean rate of return on an investment is never lower than the geometric rate of return
1. For a retiree wishing to meet a $50,000 spending goal and is confident about the sustainability of a 5% spending rate, the amount of investment assets needed to cover retirement spending is:
   a. $500,000
   b. $1,000,000
   c. $1,500,000
   d. $2,000,000

2. Which characteristic is NOT assumed for a retiree willing to use flexible spending from investments to manage sequence-of-returns risk?
   a. there are plenty of income sources available from outside the investment portfolio.
   b. there is a low degree of risk aversion.
   c. the retiree uses a relatively aggressive asset allocation.
   d. most of the retirement expenses are fixed.

3. Which of the following is an example of a buffer asset to manage sequence-of-returns risk:
   a. the cash value of a permanent life insurance policy.
   b. a diversified investment portfolio.
   c. long-term Treasury bonds.

4. Which of the following factors will generally lead to higher estimates for retirement withdrawal rates?
   a. Retirement assets may be held in a taxable portfolio.
   b. Retiree risk aversion leads them to a lower stock allocation of 20%.
   c. Retirees underperform the indexed market returns.
   d. Retirees can fund a significant portion of their expenses using non-portfolio assets.

5. Which stock allocation falls within the range for retirees to use as recommended by William Bengen in his formulation of the 4% rule?
   a. 0%
   b. 20%
   c. 50%
   d. 90%
1. When discussing the lack of separation for small business owners, separation refers to a
   a. lender and owner.
   b. lender and the family.
   c. family and business.
   d. owner and other business ventures.

2. When researchers discuss lack of transparency, they are generally referring to a lack of transparency between a(n)
   a. business and community.
   b. owner and manager.
   c. family and small business owner.
   d. lender (or investor) and the small business owner.

3. Relationship lending is often important for small business borrowers. Relationship lending implies that
   a. the lender is more concerned about financial data than the borrower’s character.
   b. the lender is concerned more your relationships with other lenders.
   c. the lender is more concerned about the borrower’s character than their financial data.
   d. the lender is more likely classified as a factor lender.

4. What liability challenge does being classified as a family business create for small business owners?
   a. Personal (family) guarantees are required for any small business loans.
   b. Small business guarantees are required for personal (family) loans.
   c. Small lenders are less likely to lend money to small businesses.
   d. None of the above.

5. Access to capital, as discussed in this chapter, focuses on
   a. the distribution of equity and debt capital.
   b. the allocation of capital by race and gender.
   c. lending practices of depository lenders.
   d. human, social, and economic capital.
Chapter 18

1. Choosing a higher value for the discount rate, $r$, means that:
   a. Present value ($PV$) will be higher.
   b. Future value ($FV$) will be higher.
   c. Present value ($PV$) will be lower.
   d. Future value ($FV$) will be lower.

2. In the CAPM, which of the following investment strategies could consistently produce above-average profits?
   a. In a falling market, buying assets with a high alpha.
   b. In a rising market, buying assets with a high alpha.
   c. In a falling market, buying assets with a high beta.
   d. In a rising market, buying assets with a high beta.

3. Warren Buffett, veteran U.S. investor and chief executive officer of the investment firm, Berkshire Hathaway, has described shares as being like bonds except that nobody has printed the numbers yet on the amounts to be paid out, and it is the investor’s job to determine what those numbers should be (Buffett, 2018). Which investment technique is he describing?
   a. Fundamental analysis.
   b. Technical analysis.
   c. Active management.
   d. Passive management.

Chapter 19

1. Who is generally credited with applying the concept of diversification to protect shipments from loss?
   a. The Chinese
   b. The Italians
   c. The English
   d. The Dutch

2. The symbiotic relationship between insurance companies and national governments increased during the early 20th century because
   a. the increased level of maritime commerce at the turn of the century required new ways to insure goods and services.
   b. insurance company executives were starting highly unregulated subsidiaries to increase firm profits.
   c. insurance companies took on the role of a financial intermediary to a greater extend during the early part of the 20th century.
   d. governments had no other way to implement social insurance programs.
3. A type of insurance that pays benefits to those who become ill or injured while working is called:
   - a. Long-term Care Insurance
   - b. Workers’ Compensation Insurance
   - c. A POS plan
   - d. A Health Savings Account

4. A type of life insurance product that offers the policy owner flexible premiums, a variable face value, and fixed rate of return is called:
   - a. A whole life insurance policy.
   - b. A variable life insurance policy.
   - c. A universal life insurance policy.
   - d. An endowment life insurance policy.

5. A product that promises to make payments for the life of the policy owner for a specified period of time is called:
   - a. A life annuity
   - b. A life annuity with a period certain
   - c. A variable annuity
   - d. A period certain annuity

Chapter 20

1. A scarcity of money deprives a person of
   - a. a nutritious diet.
   - b. safe housing.
   - c. a greater life expectancy.
   - d. all of these outcomes.

2. Those who exhibit the highest levels of health literacy tend to have
   - a. less income.
   - b. higher occupational status.
   - c. more children.
   - d. high morbidity.

3. Wealth acts as a
   - a. buffer against stress.
   - b. a pathway to behavioral risks.
   - c. psychosocial correlate with obesity.
   - d. all of these associations.
4. How do people sometimes deal with ongoing stress?
   a. They smoke.
   b. They seek out social support.
   c. They engage in a sedentary lifestyle.
   d. All of the above.

5. Which of the following is not a social determinant of health domain?
   a. Economic stability.
   b. Neighborhood and built environment.
   c. Scholarship.
   d. Social and community context.

Chapter 21

1. What type of household debt is most prevalent in the United States? (i.e., the largest percent of households have this type of debt.)
   a. Mortgage debt
   b. Education loans
   c. Credit card debt
   d. Vehicle loans

2. What model has NOT been put forth as an explanation for the behavior in which consumers simultaneously revolve credit card debt while holding liquid wealth?
   a. Standard life-cycle model
   b. Time inconsistent preferences model
   c. Accountant-shopper model
   d. None of these has been put forth as an explanation

3. Campbell (2006) identified what key investment mistake associated with household mortgage debt?
   a. Under-investing in housing.
   b. Neglect of exercising mortgage refinancing options.
   c. Reallocating savings to tax-deferred retirement accounts instead of mortgage pre-payments.
   d. Failing to account for the mortgage interest tax deduction.

4. The rise in student loan defaults after the global financial crisis can be partly attributed to:
   a. increased borrowers attending for-profit institutions
   b. increased borrowers attending community colleges
   c. the collapse in home prices
   d. all of the above
Chapter 22

1. What factor has been shown to be associated with lower spending on medical expenses?
   a. Being married.
   b. Being older in age.
   c. Being government employed.
   d. Being self-employed.
   e. Having higher income.

2. What factor has been shown to be associated with higher spending on health insurance premiums?
   a. Having larger family size.
   b. Being married.
   c. Higher level of educational attainment.
   d. All of the above.
   e. None of the above.

3. A new U.S. federal protection for consumers against surprise medical bills started in January 2022, what is this?
   a. The Employee Retirement Income Security Act (ERISA)
   b. The Affordable Care Act (ACA)
   c. The Families First Coronavirus Response Act (FFCRA)
   d. The Coronavirus Aid, Relief, and Economic Security (CARES) Act
   e. The No Surprises Act

4. ______ is for people who are 65 or older, as well as for those of any age, including children, who are blind or who have disabilities. Select the one correct answer.
   a. Medicaid
   b. Medicare
   c. Supplemental Security Income (SSI)
   d. Unemployment Compensation Benefits
   e. Supplemental Nutrition Assistance Program (SNAP)

Chapter 23

1. Inflation risks are associated with all the following retirement assets or liabilities EXCEPT:
   a. Home equity assets.
   b. Fixed expense liabilities.
   c. Portfolio of financial assets.
   d. Business assets.
2. Many financial planning professionals focus on effectively generating retirement income from the portfolio of financial assets. Which one of the followings is not considered?
   a. SAFEMAX withdrawal rate.
   b. Flexible spending in retirement.
   c. Allocation of investments.
   d. Longevity using fixed retirement years.

3. All of the following are the reasons that the reverse mortgage has limited use around the world, EXCEPT
   a. Lack of policy protecting retirees in default from unexpected spending shocks
   b. Required reverse mortgage education.
   c. Competing legacy goals.
   d. Qualified social benefits.

4. Which of the following statements about the reverse mortgage is TRUE?
   a. Every reverse mortgage uses 25 years to determine loan tenure.
   b. Loan-to-value is often used in the maximum cap.
   c. Lease back is a popular option around the world.
   d. Borrower can only receive lump sum payments from their home equity.

5. Before considering reverse mortgage, all of the following alternative living arrangements need to be considered EXCEPT:
   a. Downsizing or cohabitating.
   b. Living with family member(s).
   c. Solely relying on government benefits.
   d. Active independent living community.

Chapter 24

1. Which of the following digital financial products and services (DFS) allow clients to pay, transfer, deposit, save, and borrow?
   a. Mobile money.
   b. Peer-to-peer lending.
   c. Micro-investing.
   d. Crowdsourcing.

2. Which of the following statements about robo-advisors is not accurate?
   a. Robo-advisors use algorithms based on clients’ data and risk tolerance.
   b. Robo-advisors have grown in popularity in most countries around the world.
   c. Robo-advisors allow investors’ to automatically build, manage and optimize portfolios.
   d. Robo-advisors are perceived to be less prone to human and institutional biases.
3. Which of the following statements is the most accurate when it comes to digital financial services and financial inclusion?
   a. Digital financial services have had no impact on financial inclusion.
   b. Digitalization ensures that all individuals have equal access to financial services.
   c. Digital financial literacy is needed to bridge the digital skills divide.
   d. Younger and older generations have the same preferences for digital financial services.

4. Which of the following are regulatory concerns related to digital advisory services?
   a. Protecting consumers from abusive practices and frauds.
   b. Preventing systemic risk.
   c. Ensuring consumers’ data privacy and security.
   d. All of the above.

Chapter 25

1. Which of the following cognitive biases refers to the tendency of people to ignore information that contradicts what they believe?
   a. Confirmation bias.
   b. Overconfidence bias.
   c. Loss aversion.
   d. Endowment effect.

2. Which of the following statements is correct about status quo bias?
   a. People tend to prefer the current situation rather than switching to an alternative.
   b. People tend to assign greater weight to potential losses and lesser weight to potential gains.
   c. People tend to maintain the status quo if they are given too many choices.
   d. All of the above.

3. Which of the following statements about choice is not accurate?
   a. Nudges should help people to select choices that improve their welfare.
   b. People have the tendency to choose default options when they are offered.
   c. The more choices people have, the easier it is for them to make a decision.
   d. Choice architecture is used to address the problem of choice overload and decision fatigue.

4. Which of the following are successful framing techniques that can create powerful nudges and influence people’s decisions?
   a. Using positive messaging.
   b. Combining informational messaging with an emotional nudge.
   c. Focusing on the desirability of the activity or behavior.
   d. All of the above.
5. Which of the following is not a type of choice architecture?

   a. Priming.
   b. Cognitive bias.
   c. Default choice.
   d. Framing.

Chapter 26

1. Which theory related to financial socialization posits that children's learning related to money occurs in a social setting, where family is the primary socialization unit and influences financial outcomes during childhood and adulthood?

   a. Family Financial Socialization Theory.
   d. Theory of Planned Behavior.

2. Which theory suggests that human behavior is shaped by someone's behavioral intentions, attitudes, subjective norms, and perceived control?

   a. Family Financial Socialization Theory
   d. Theory of Planned Behavior.

3. What is not an essential component of financial socialization?

   a. Socialization agents (e.g., peers, parents).
   b. Socioeconomic factors (e.g., gender).
   c. Type of learning mechanism (e.g., purposive or unintentional socialization).
   d. Early life events.

4. What does experiential learning involve?

   a. Acquiring knowledge through life experiences.
   b. Deliberate teaching related to financial management.
   c. Modeling the observed behavior.
   d. Exposure to financial information through media

5. What or who is regarded as the primary socialization agent?

   a. Media.
   b. Peers.
   c. Parents.
   d. School-mandated financial education.
6. Which of the following influence parent-child financial socialization?

a. Quality of relationship with parents.
b. Socioeconomic status of parents.
c. Parents’ financial knowledge.
d. All of the above.

Chapter 27

1. Under the “financial literacy as financial knowledge” perspective, which of the following would be considered measures of financial literacy?

a. Ability to calculate compound interest.
b. Ability to identify the riskiest investment type on a list.
c. Ability to select the best mortgage option for their situation.
d. Confidence in your decision-making ability.
e. Ability to calculate compound interest and ability to identify the riskiest investment type on a list.

2. Which of the following are examples of findings related to the outcomes of financial literacy? (Select all that apply)

a. Financial literacy plays little role in financial behavior or outcomes.
b. Financial knowledge alone is sufficient to produce good financial behavior.
c. Financial literacy plays an important role in financial behavior or outcomes.
d. Both a and c.

3. Which of the following have been suggested as other components of financial literacy as a construct?

I. Confidence
II. Self-efficacy
III. Income
IV. Decision-making ability

a. I and II
b. II and IV
c. I, II, and IV
d. I, II, III, and IV

4. Which of the following statements are true of our current understanding of financial literacy?

a. Some scholars suggest that the definition of financial literacy was based on its dominant measures.
b. If an individual takes a financial education course, a researcher can assume that individual has financial literacy.
c. The Consumer Financial Protection Bureau suggests that the ultimate outcome of financial literacy is financial knowledge.
d. All of the above are correct.
1. Who tends to be more informed about financial affairs?
   a. Women.
   b. Less educated people.
   c. Men.
   d. Less wealthy people.

2. Which is of the following factors is known to be positively associated with distress among young adults?
   a. Conscientiousness.
   b. Neuroticism.
   c. Responsiveness.
   d. Power.

3. Lower levels of financial literacy are associated with
   a. being female.
   b. having less income
   c. living in an urban area.
   d. all of the above.
   e. both a and b.

4. Policy makers are attracted to the notion of literacy, rather than attitudes, because
   a. literacy is more easily measured.
   b. attitudes cannot be quantified.
   c. literacy is a qualitative function that can more easily be manipulated.
   d. attitudes can only be evaluated through interviews not questionnaires.

5. Within the Grover-Furnham Financial Process Grid, a spender tends to be
   a. interested in financial affairs.
   b. engaged in self-denial.
   c. exhibit ambitions for more.
   d. more likely to be an investor.

Chapter 29

1. The degree to which someone is satisfied with their current financial situation is known as
   a. relationship satisfaction.
   b. financial satisfaction.
   c. marital satisfaction.
   d. the duality of satisfaction.
2. Which of the following is the most important when it comes to how one perceives their financial situation?
   a. Subjective financial knowledge
   b. Housework norms
   c. Objective financial knowledge
   d. Asset ownership and titling

3. Happiness, adjustment, and instability are aspects of
   a. relationship quality.
   b. financial stability.
   c. gender role norms.
   d. cognitive-behavioral processing.

4. Which of the following is not something generally associated with solution-focused financial therapy?
   a. The miracle question.
   b. Scaling questions.
   c. Genograms
   d. The use of positive language.

5. Which of the following is the fourth step in the Transtheoretical Model of Change?
   a. Contemplation
   b. Preparation
   c. Action
   d. Maintenance

Chapter 30

1. Which of the following is not an example of FinTech?
   a. Cryptocurrency
   b. Peer-to-peer lending
   c. Mobile payment systems
   d. Person-to-personal financial advisory services

2. A type of capital intermediation is
   a. InsureTech.
   b. InvestTech.
   c. CreditTech.
   d. API Tech.

3. Another name for robo-advice is
   a. BankTech.
   b. Automated advice.
   c. AdvisorTech.
   d. Digital inquiry.
4. The use of technology for crowdfunding and venture capital represents
   a. FinTech 1.0.
   b. FinTech 2.0.
   c. FinTech 3.0.
   d. FinTech 4.0.

5. Which of the following is(are) a concern associated with the increased use of FinTech
   products and services?
   a. Reductions in person-to-person interactions.
   b. Data security breaches.
   c. Increased regulatory oversight.
   d. All of the above are concerns.

Chapter 31

1. According to the financial help-seeking framework (FHSF), what is the fourth stage of
   financial help-seeking process?
   a. Exhibiting a concern.
   b. Identifying the causes.
   c. Decide whether to seek advice.
   d. Choose from advice source alternatives.

2. The economic approach assumes that consumers’ information search activity will stop
   when the marginal cost of the search is ________ the marginal benefit.
   a. lower than
   b. equal to or higher than
   c. irrelevant to
   d. two times

3. According to Tang and Hu (2019), which is not one of the three main investment
   decision-making approaches?
   a. Relying on self to make decisions.
   b. Consulting advisors to assist decision-making.
   c. Participating in investment clubs.
   d. Full delegation to financial advisors.

Chapter 32

1. Cryptocurrency refers to a currency that is
   a. kept hidden.
   b. stored in a tomb.
   c. reliant on a central authority for legitimacy.
   d. a form of digital currency.
2. The factors that drive a consumer’s choice of payment method includes all of the following except:

   a. Technology
   b. Cost
   c. Climate change.
   d. Switching costs.

3. Network effects in payments systems refers to a consumer’s decision to use a particular payment system being influenced by

   a. the number of people already using the payment system.
   b. the sense of exclusivity it provides.
   c. the availability of wifi.
   d. the ease of switching to a new payment system.

Chapter 33

1. Which of the following journals is primarily focused on published papers of direct interest to personal finance researchers, practitioners, and policy makers?

   a. *Journal of Consumer Affairs*.
   c. *Family and Consumer Science Research Journal*.
   d. *Journal of Finance*.

2. A common theory used to guide research published in leading personal finance journals is:

   I. Theory of Planned Behavior
   II. Transtheoretical Model of Behavior Change
   III. Behavioral Life Cycle Hypothesis

   a. I only
   b. III only
   c. II and III only
   d. I, II, and III

3. Which of the following types of data are rarely used in papers published in personal finance journals?

   a. Experimental data
   b. Quantitative data
   c. Primary data
   d. Secondary data
1. Current coverage of inter-temporal decision making in most personal finance text-books includes:
   
   a. Maximizing wealth and meeting retirement goals.
   b. Subjective Well-being.
   c. Financial Satisfaction.

2. The Financial well-being scale developed by the CFPB has been incorporated into which of the following U.S. national datasets?

   a. Survey of Consumer Finances.
   c. Panel Study of Income Dynamics.
   d. all of the above.

3. Practicing asset location can be useful for:

   a. Decreasing an individual portfolios’ tax-adjusted returns.
   b. Increasing an individual portfolio’s tax-adjusted returns.
   c. Increasing an individual portfolio’s risk-adjusted returns.
   d. None of the above.

4. Which CFPB initiative has been conceptualized with the goal of developing better trained educators in personal finance?

   a. YMYG program
   b. FLEC program
   c. VITA program
   d. ROTC program

5. Which of the following personal finance class formats has been found to increase student engagement?

   a. Online asynchronous lectures.
   b. Online synchronous lectures.
   c. Integration of experiential learning into the curriculum.
   d. Traditional in-person lecture format.
## End-of-Chapter Question Solutions

| Chapter 1 | 1. a  
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Chapter 32
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Chapter 33
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