Name _____ **Date** _____

Power Tools for Building Wealth

1. How can you determine if a person is truly wealthy?

   a) By the car he/she drives
   b) He/she spends less money than they earn
   c) He/she has no discernible budget; they spend what they want, when they want
   d) Wealth is based on appearance, for example one's car, watch, or clothes

2. You may use your calculator to determine 4^{-5}

   a) .05
   b) -1,024
   c) .000976
   d) -20

3. Both methods for eliminating debt presented in this lesson:

   a) Focus on paying off debts in a particular order
   b) Focus on paying off debts with the highest interest rate first
   c) Focus on paying off debts with the highest balances first
   d) All of the above

4. What is the minimum payment required to pay off a $3,150.00 debt at 11.5 percent interest, in five years?

   a) $53.47
   b) $132.31
   c) $69.27
   d) $58.53

$$MonthlyPayment = \frac{(P \times (I \div 12))}{(1-(1+(I \div 12))^{-N})}$$

5. Debt snowball (psychological strategy):

   a) Is a road to bankruptcy, where debt keeps increasing
   b) Eliminates debt with the highest balance first
   c) Eliminates debt with the highest interest rate first
   d) Focuses on eliminating debts with the lowest balance first

6. Consider a person with the following debts:
   - $275.00 medical bill at 18 percent
   - $11,750.00 credit card bill at 16.5 percent
   - $4,750.00 car loan at 13.75 percent
   - $2,150.00 computer/office equipment loan at 15 percent
   - $18,000.00 school loan at 8.25 percent
   - $1,150.00 personal loan at 12 percent

Using the debt snowball approach presented in the lesson, what would be the second debt eliminated?

a) Car loan
b) Computer/office equipment
c) Credit card
d) Personal loan

7. The mathematical strategy is considered superior to the psychological approach by most financial experts because:

a) Debts are eliminated with the least cost
b) Excessive debt is a mathematical problem, not a psychological problem
c) It is easier to calculate success using the mathematical approach
d) Success comes more quickly with the mathematical approach

8. The debt snowball approach ignores:

a) Balances
b) Timeframes
c) Minimum payments
d) Interest rates

9. Taylor purchases a used car from a dealer. The purchase price is $7,200.00 and the dealer will finance the purchase at 7 percent interest. How much will Taylor save on her monthly car payment if she chooses to finance for four years instead of three years?

a) $0.00 – at 7 percent, both payments will be the same
b) About $50.00/month
c) About $30.00/month
d) $172.41

10. The mathematical and debt snowball approaches:

a) Accomplish the same goal - debt elimination
b) Each have their pros and cons; determine which makes you more comfortable
c) Create a plan that works
d) All of the above