

## 2008 Survey of Personal Financial Literacy Among High School Students

6,856 High School Seniors, Mean Score = 47.5%

### Part 1 – 31 Jump\$tart Questions

*Numbers to the Left of Answers are Proportion Giving Response*

- Inflation can cause difficulty in many ways. Which group would have the greatest problem during periods of high inflation that last several years?  
**10.6** a.) Older, working couples saving for retirement.  
**40.0** b.) Older people living on fixed retirement income.\*  
**7.2** c.) Young couples with no children who both work.  
**41.7** d.) Young working couples with children.
- Which of the following is true about sales taxes?  
**27.2** a.) The national sales tax percentage rate is 6%.  
**25.5** b.) The federal government will deduct it from your paycheck.  
**4.9** c.) You don't have to pay the tax if your income is very low.  
**41.9** d.) It makes things more expensive for you to buy. \*
- Rebecca has saved \$12,000 for her college expenses by working part-time. Her plan is to start college next year and she needs all of the money she saved. Which of the following is the safest place for her college money?  
**3.7** a.) Locked in her closet at home.  
**3.7** b.) Stocks.  
**4.8** c.) Corporate bonds.  
**87.7** d.) A bank savings account.\*
- Which of the following types of investment would best protect the purchasing power of a family's savings in the event of a sudden increase in inflation?  
**19.2** a.) A 10-year bond issued by a corporation.  
**26.2** b.) A certificate of deposit at a bank.  
**17.4** c.) A 25-year corporate bond.  
**35.8** d.) A house financed with a fixed-rate mortgage.\*
- Under which of the following circumstances would it be financially beneficial to you to borrow money to buy something now and repay it with future income?  
**55.8** a.) When you need to buy a car to get a much better paying job.\*  
**5.1** b.) When you really need a week vacation.  
**5.8** c.) When some clothes you like go on sale.  
**33.4** d.) When the interest on the loan is greater than the interest you get on your savings.
- Which of the following statements best describes your right to check your credit history for accuracy?  
**47.7** a.) Your credit record can be checked once a year for free.\*  
**5.3** b.) You cannot see your credit record.  
**13.8** c.) All credit records are the property of the U.S. Government and access is only available to the FBI and Lenders.  
**33.2** d.) You can only check your record for free if you are turned down for credit based on a credit report.

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1 – 31: \* indicates correct answer

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7. Your take home pay from your job is less than the total amount you earn. Which of the following best describes what is taken out of your total pay?  
**9.5** a.) Social security and Medicare contributions.  
**21.2** b.) Federal income tax, property tax, and Medicare and social security contributions.  
**56.4** c.) Federal income tax, social security and Medicare contributions.\*  
**12.9** d.) Federal income tax, sales tax, and social security contribution.
8. Retirement income paid by a company is called:  
**37.4** a.) 401 (k).  
**36.2** b.) Pension.\*  
**3.6** c.) Rents and profits.  
**22.8** d.) Social Security.
9. Many people put aside money to take care of unexpected expenses. If Juan and Elva have money put aside for emergencies, in which of the following forms would it be of LEAST benefit to them if they needed it right away?  
**40.1** a.) Invested in a down payment on the house.\*  
**13.2** b.) Checking account.  
**32.1** c.) Stocks.  
**14.6** d.) Savings account.
10. David just found a job with a take-home pay of \$2,000 per month. He must pay \$900 for rent and \$150 for groceries each month. He also spends \$250 per month on transportation. If he budgets \$100 each month for clothing, \$200 for restaurants and \$250 for everything else, how long will it take him to accumulate savings of \$600.  
**20.9** a.) 3 months.  
**60.2** b.) 4 months.\*  
**6.7** c.) 1 month.  
**12.2** d.) 2 months.
11. Sara and Joshua just had a baby. They received money as baby gifts and want to put it away for the baby's education. Which of the following tends to have the highest growth over periods of time as long as 18 years?  
**4.7** a.) A checking account.  
**16.8** b.) Stocks.\*  
**37.3** c.) A U.S. Government savings bond.  
**41.3** d.) A savings account.

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12. Barbara has just applied for a credit card. She is an 18-year-old high school graduate with few valuable possessions and no credit history. If Barbara is granted a credit card, which of the following is the most likely way that the credit card company will reduce ITS risk?
- 7.2** a.) It will make Barbara's parents pledge their home to repay Karen's credit card debt.
- 32.7** b.) It will require Barbara to have both parents co-sign for the card.
- 14.1** c.) It will charge Barbara twice the finance charge rate it charges older cardholders.
- 45.9** d.) It will start Barbara out with a small line of credit to see how she handles the account.\*
13. Chelsea worked her way through college earning \$15,000 per year. After graduation, her first job pays \$30,000. The total dollar amount Chelsea will have to pay in Federal Income taxes in her new job will:
- 47.1** a.) Double, at least, from when she was in college.\*
- 36.4** b.) Go up a little from when she was in college.
- 10.0** c.) Stay the same as when she was in college.
- 6.5** d.) Be lower than when she was in college.
14. Which of the following best describes the primary sources of income for most people age 20-35?
- 9.1** a.) Dividends and interest.
- 75.3** b.) Salaries, wages, tips.\*
- 9.1** c.) Profits from business.
- 6.5** d.) Rents.
15. If you are behind on your debt payments and go to a responsible credit counseling service such as the Consumer Credit Counseling Services, what help can they give you?
- 7.0** a.) They can cancel and cut up all of your credit cards without your permission.
- 17.8** b.) They can get the federal government to apply your income taxes to pay off your debts.
- 70.5** c.) They can work with those who loaned you money to set up a payment schedule that you can meet.\*
- 4.7** d.) They can force those who loaned you money to forgive all your debts.
16. Rob and Mary are the same age. At age 25, Mary began saving \$2,000 a year while Rob saved nothing. At age 50, Rob realized that he needed money for retirement and started saving \$4,000 per year while Mary kept saving her \$2,000. Now they are both 75 years old. Who has the most money in his or her retirement account?
- 24.8** a.) They would each have the same amount because they put away exactly the same
- 11.7** b.) Rob, because he saved more each year
- 12.5** c.) Mary, because she has put away more money
- 51.1** d.) Mary, because her money has grown for a longer time at compound interest.\*

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17. Many young people receive health insurance benefits through their parents. Which of the following statements is true about health insurance coverage?
- 18.4** a.) You are covered by your parents' insurance until you marry, regardless of your age.
- 40.4** b.) If your parents become unemployed, your insurance coverage may stop, regardless of your age.\*
- 8.2** c.) Young people don't need health insurance because they are so healthy.
- 33.0** d.) You continue to be covered by your parents' insurance as long as you live at home, regardless of your age.
18. Don and Bill work together in the finance department of the same company and earn the same pay. Bill spends his free time taking work-related classes to improve his computer skills, while Don spends his free time socializing with friends and working out at a fitness center. After five years, what is likely to be true?
- 11.5** a.) Don will make more because he is more social.
- 9.8** b.) Don will make more because Bill is likely to be laid off.
- 67.9** c.) Bill will make more money because he is more valuable to his company.\*
- 10.8** d.) Don and Bill will continue to make the same money.
19. If your credit card is stolen and the thief runs up a total debt of \$1,000, but you notify the issuer of the card as soon as you discover it is missing, what is the maximum amount that you can be forced to pay according to Federal law?
- 17.3** a.) \$500
- 16.9** b.) \$1000
- 52.8** c.) Nothing.
- 13.0** d.) \$50\*
20. Which of the following statements is NOT correct about most Automated Teller Machine (ATM) cards?
- 8.8** a.) You can generally get cash 24 hours a day.
- 14.0** b.) You can generally obtain information concerning your bank balance at an ATM machine.
- 68.0** c.) You can get cash anywhere in the world with no fee.\*
- 9.2** d.) You must have a bank account to have an ATM Card.
21. Matt has a good job on the production line of a factory in his home town. During the past year or two, the state in which Matt lives has been raising taxes on its businesses to the point where they are much higher than in neighboring states. What effect is this likely to have on Matt's job?
- 14.4** a.) Higher business taxes will cause more businesses to move into Matt's state, raising wages.
- 18.7** b.) Higher business taxes can't have any effect on Matt's job.
- 57.3** c.) Matt's company may consider moving to a lower-tax state, threatening Matt's job.\*
- 9.7** d.) He is likely to get a large raise to offset the effect of higher taxes.

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22. If you have caused an accident, which type of automobile insurance would cover damage to your own car?  
**16.1** a.) Comprehensive.  
**40.0** b.) Liability.  
**7.1** c.) Term.  
**36.8** d.) Collision.\*
23. Scott and Eric are young men. Each has a good credit history. They work at the same company and make approximately the same salary. Scott has borrowed \$6,000 to take a foreign vacation. Eric has borrowed \$6,000 to buy a car. Who is likely to pay the lowest finance charge?  
**43.1** a.) Eric will pay less because the car is collateral for the loan.\*  
**18.7** b.) They will both pay the same because the rate is set by law.  
**13.3** c.) Scott will pay less because people who travel overseas are better risks.  
**24.9** d.) They will both pay the same because they have almost identical financial backgrounds.
24. If you went to college and earned a four-year degree, how much more money could you expect to earn than if you only had a high school diploma?  
**21.9** a.) About 10 times as much.  
**8.6** b.) No more; I would make about the same either way.  
**22.0** c.) A little more; about 20% more.  
**47.6** d.) A lot more; about 70% more. \*
25. Many savings programs are protected by the Federal government against loss. Which of the following is not?  
**13.4** a.) A U.S. Savings Bond.  
**43.8** b.) A certificate of deposit at the bank.  
**28.4** c.) A bond issued by one of the 50 States.\*  
**14.4** d.) A U.S. Treasury Bond.
26. If each of the following persons had the same amount of take home pay, who would need the greatest amount of life insurance?  
**31.6** a.) An elderly retired man, with a wife who also is retired.  
**10.0** b.) A young married man without children.  
**51.1** c.) A young single woman with two young children.\*  
**7.2** d.) A young single woman without children.
27. Which of the following instruments is NOT typically associated with spending?  
**6.7** a.) Debit card.  
**82.1** b.) Certificate of deposit.\*  
**6.7** c.) Cash.  
**4.5** d.) Credit card.

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28. Which of the following credit card users is likely to pay the GREATEST dollar amount in finance charges per year, if they all charge the same amount per year on their cards?
- 16.8** a.) Jessica, who pays at least the minimum amount each month and more, when she has the money.
- 17.1** b.) Vera, who generally pays off her credit card in full but, occasionally, will pay the minimum when she is short of cash
- 18.2** c.) Megan, who always pays off her credit card bill in full shortly after she receives it
- 48.0** d.) Erin, who only pays the minimum amount each month.\*
29. Which of the following statements is true?
- 53.7** a.) Banks and other lenders share the credit history of their borrowers with each other and are likely to know of any loan payments that you have missed.\*
- 14.8** b.) People have so many loans it is very unlikely that one bank will know your history with another bank.
- 18.8** c.) Your bad loan payment record with one bank will not be considered if you apply to another bank for a loan.
- 12.7** d.) If you missed a payment more than two years ago, it cannot be considered in a loan decision.
30. Dan must borrow \$12,000 to complete his college education. Which of the following would NOT be likely to reduce the finance charge rate?
- 32.5** a.) If he went to a state college rather than a private college.\*
- 19.2** b.) If his parents cosigned the loan.
- 28.8** c.) If his parents took out an additional mortgage on their house for the loan.
- 19.5** d.) If the loan was insured by the Federal Government.
31. If you had a savings account at a bank, which of the following would be correct concerning the interest that you would earn on this account?
- 40.6** a.) Earnings from savings account interest may not be taxed.
- 27.3** b.) Income tax may be charged on the interest if your income is high enough.\*
- 17.8** c.) Sales tax may be charged on the interest that you earn.
- 14.3** d.) You cannot earn interest until you pass your 18<sup>th</sup> birthday.

### Part 2 – Classification Questions

Numbers in **Bold** at Left are Mean Scores

Numbers not in Bold, to Right of Bold Numbers, are Percent in Sample

32. Does your family rent or own your home?

Score   %

**44.0** 22.7 Rent.

**49.7** 77.3 Own.

33. What is your gender?

**49.0** 44.7 Male.

**48.0** 55.3 Female.

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34. What are your educational plans after high school?  
**Score** %  
**34.9** 2.2 No further education is planned.  
**44.6** 18.7 Attend a two-year college or junior college.  
**50.9** 67.2 Attend a four-year college or university.  
**44.2** 6.8 Other plans for training or education.  
**39.2** 5.1 Don't know.
35. What is your best estimate of your parents' total income last year? Consider annual income from all sources before taxes.  
**43.4** 10.7 Less than \$20,000.  
**47.3** 20.1 \$20,000 to \$39,999.  
**50.3** 26.5 \$40,000 to \$79,999.  
**52.3** 23.0 \$80,000 or more.  
**44.8** 19.7 Don't know.
36. How do you describe yourself?  
**52.5** 55.0 White or Caucasian.  
**41.3** 13.6 Black or African-American.  
**45.1** 20.1 Hispanic American.  
**47.2** 3.7 Asian-American.  
**37.7** 2.2 American Indian, Alaska Native, or Native Hawaiian.  
**41.1** 5.4 Other.
37. What is the highest level of schooling your father or mother completed?  
**44.2** 11.5 Neither completed high school.  
**47.2** 24.4 Completed high school.  
**49.0** 21.6 Some college.  
**51.4** 36.8 College graduate or more than college.  
**36.9** 5.9 Don't know.
38. What type of work do you intend to do when you finish school?  
**36.9** 2.8 Manual work such as truck driver, laborer, farm worker.  
**43.8** 6.5 Skilled trade such as plumber, electrician.  
**44.6** 12.1 Service worker such as secretary, food service worker, office worker, police officer, firefighter.  
**51.7** 48.6 Professional worker such as nurse, computer programmer.  
**46.6** 30.0 Other or don't know.

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39. When you start to work full-time, after you finish your education, how much do you expect to make per year before deductions for taxes and other items?

Score %

**38.5** 3.4 Under \$15,000.  
**42.2** 6.7 \$15,000 to \$19,999.  
**46.8** 10.6 \$20,000 to \$29,999.  
**50.7** 20.5 \$30,000 to \$39,999.  
**50.2** 41.6 \$40,000 or more.  
**46.4** 17.2 Don't know.

40. Whose credit card do you use?

**44.2** 14.9 My own.  
**45.9** 14.2 My parents'.  
**45.2** 5.6 Both my own and my parents'.  
**50.1** 65.3 None, I don't use a credit card.

41. How do you use your debit (or ATM) card?

**49.9** 40.6 For getting cash from an ATM and for buying things directly.  
**45.4** 12.6 For getting cash from an ATM only.  
**47.8** 46.7 I don't have a debit card.

42. Which of the following best describes your automobile driving?

**46.0** 26.8 I don't have a driver's license.  
**42.6** 4.3 I have a driver's license, but no car in the family that I can drive.  
**44.2** 4.9 I drive the family car, which is used by others, and help pay for the insurance.  
**50.9** 12.7 I drive the family car, which is used by others, and don't help pay for the insurance.  
**49.7** 21.5 I drive my own car and help pay for the insurance.  
**50.0** 29.9 I drive my own car and don't help pay for the insurance.

43. How would you describe your employment history?

**48.8** 24.5 I work full time in the summers and part time during the school year.  
**48.6** 6.3 I work full time in the summers and don't work during the school year.  
**48.9** 33.8 I work part time in the summers and part time during the school year.  
**48.9** 11.8 I work part time in the summers and don't work during the school year.  
**46.6** 23.6 I have never been formally employed outside the home.

44. What kind of bank account do you have?

**43.7** 24.9 I don't have a bank account.  
**49.7** 29.1 I have a savings account but no checking account.  
**49.1** 11.8 I have a checking account but no savings account.  
**50.3** 34.3 I have both a savings and a checking account.

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45. Which of the following is true about your ownership of stocks and mutual funds (circle **all** that apply)?  
Score %  
**49.1** 73.0 I own no stocks or mutual funds.  
**47.1** 7.8 I own stocks in my own name.  
**48.8** 8.8 I own stocks in my parents' name.  
**47.7** 6.0 I own mutual funds in my own name.  
**47.7** 6.3 I own mutual funds in my parents' name.
46. What is your high school class level?  
**48.3** 100.0 Senior.  
Junior.  
Sophomore.  
Freshman.
47. Which of the following classes have you had in high school (circle **all** that apply)?  
**47.5** 21.4 An entire course in money management or personal finance.  
**48.9** 26.2 A portion of a course where at least a week was focused on money management or personal finance.  
**48.8** 44.7 An entire course in economics.  
**49.4** 23.7 A portion of a course where at least a week was focused on economics.  
**51.0** 24.0 A course in which we played a stock market game.
48. If you have taken a full semester course in money management or personal finance, did you take it as a:  
**47.1** 52.4 Senior.  
**48.5** 26.1 Junior.  
**49.2** 12.7 Sophomore.  
**44.7** 8.8 Freshman.
49. Approximately what was your **total** score on the college entrance exam?  
**45.5** 10.4 SAT under 1,500.  
**54.1** 17.3 SAT 1,500 to 2,000.  
**52.2** 4.3 SAT over 2,000.  
**43.3** 10.7 ACT under 20.  
**51.3** 17.4 ACT 21-26.  
**58.8** 5.9 ACT 27 or higher.  
**44.0** 34.5 I didn't take a college entrance exam or don't remember my score.