

Health: The Basics, 12e (Donatelle)

Chapter 1a Focus On: Improving Your Financial Health

1) Lower socioeconomic status is associated with

- A) lower rates of smoking.
- B) lower rates of asthma.
- C) higher rates of smoking.
- D) higher-than-average longevity.

Answer: C

Diff: 2

Skill: Understanding

Section: The Link Between Health and Wealth

Learning Outcome: 1a.1

2) Relative deprivation is

- A) the inability of lower-income groups to sustain the same lifestyle as higher-income groups in the same community.
- B) discrimination against lower-income people by higher-income people within the same community.
- C) the cluster of physical and emotional manifestations—such as higher rates of type 2 diabetes and alcohol abuse—seen in lower-income groups in a community.
- D) a sense of low self-esteem experienced by people living in poverty.

Answer: A

Diff: 1

Skill: Remembering

Section: The Link Between Health and Wealth

Learning Outcome: 1a.1

3) Which of the following countries BEST demonstrates the link between high GDP per capita and long life expectancy?

- A) Brazil
- B) Japan
- C) Russia
- D) Mexico

Answer: B

Diff: 4

Skill: Analyzing

Section: The Link Between Health and Wealth

Learning Outcome: 1a.1

- 4) Which of the following statements about financial concerns in college is TRUE?
- A) Nearly one-fourth of college students report that they worry often or very often about meeting regular expenses.
 - B) Only one-third of first-time college students complete their degree in 6 to 8 years.
 - C) Almost one-half of college students report that financial aid is a major factor in determining which college they attend.
 - D) The average cost of tuition and fees at public four-year colleges nearly doubled between 2010 and 2015.

Answer: C

Diff: 1

Skill: Remembering

Section: Financial Struggles in College

Learning Outcome: 1a.2

- 5) On average, about what percentage of college costs are paid for with borrowed funds?

- A) 12%
- B) 22%
- C) 32%
- D) 42%

Answer: B

Diff: 1

Skill: Remembering

Section: Financial Struggles in College

Learning Outcome: 1a.2

- 6) A common reason for students to drop out of college is

- A) that they have been offered a high-paying job.
- B) stress-related illness.
- C) concern about growing debt.
- D) parental pressure to enter the workforce.

Answer: C

Diff: 1

Skill: Remembering

Section: Financial Struggles in College

Learning Outcome: 1a.2

- 7) A principal reason for making a budget is to

- A) earn more money.
- B) pay bills on time.
- C) qualify for a bank loan.
- D) know how much you can afford to spend.

Answer: D

Diff: 2

Skill: Understanding

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

8) All of the following qualify as budget expenses EXCEPT

- A) rent payments.
- B) utility payments.
- C) insurance premiums.
- D) stipends from relatives.

Answer: D

Diff: 2

Skill: Understanding

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

9) When you earn more than you spend, you have a budget

- A) surplus.
- B) deficit.
- C) shortfall.
- D) liability.

Answer: A

Diff: 1

Skill: Remembering

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

10) Discretionary spending is the opposite of _____ spending.

- A) excess
- B) necessary
- C) entitlement
- D) recreational

Answer: B

Diff: 4

Skill: Analyzing

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

11) Which of the following is a good way to cut spending and keep to your budget?

- A) Drive more rather than taking the bus.
- B) Eat out rather than cooking at home.
- C) Use cash rather than credit cards.
- D) Avoid texting on Wi-Fi networks.

Answer: C

Diff: 3

Skill: Applying

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

12) George earns a good salary and rents an apartment that is within his means, yet every month, he runs short of money. What should he do?

- A) Set budget goals to clarify his situation.
- B) Track his income to find out why he doesn't have enough money.
- C) Track his expenses to figure out why his spending exceeds his income.
- D) Take out a loan to make sure he has money left over at the end of the month.

Answer: C

Diff: 3

Skill: Applying

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

13) Juana is a junior in college and receives scholarship funds at the beginning of each semester. In the past, this money has been sufficient to cover her costs each term. But this fall she ran out of money before the term was over. Which of the following is the MOST sensible step she can take to make sure she doesn't run out in the spring?

- A) Create a budget to help her smooth out her spending and avoid surprises.
- B) Drop one of her classes and get a job to add to her income.
- C) Request a cost of living increase in her scholarship funds.
- D) Track her income to see where the money is going.

Answer: A

Diff: 3

Skill: Applying

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

14) Soraya is trying to avoid running out of money every month. She has asked her employer to deposit her paycheck directly into her bank account. She has also cut back on expenses by eating out just once a week, driving her car as little as possible, and limiting visits to her favorite coffee shop. She has also put all discretionary purchases on her credit card so that she can pay for everything at the end of the month. What do you think she should do to avoid running out of money every month?

- A) She should eat out less.
- B) She should drive more and spend less on public transportation.
- C) She should have her paycheck mailed to her so she can deposit it herself.
- D) She should not use her credit card so much, but instead rely more on cash purchases.

Answer: D

Diff: 5

Skill: Evaluating

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

15) What is one advantage of debt?

- A) It allows large projects to be built.
- B) It discourages borrowing.
- C) It encourages borrowing.
- D) It contributes to recessions.

Answer: A

Diff: 2

Skill: Understanding

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

16) What is a loan principal?

- A) the fee on a loan
- B) the amount owed on a loan
- C) the interest rate paid on a loan
- D) the interest payment on a loan

Answer: B

Diff: 1

Skill: Remembering

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

17) Credit is essentially the same as

- A) debt.
- B) a loan.
- C) interest.
- D) principal.

Answer: B

Diff: 1

Skill: Remembering

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

18) Student aid includes all of the following EXCEPT

- A) loans.
- B) grants.
- C) credit.
- D) work study.

Answer: C

Diff: 1

Skill: Remembering

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

19) For students, a federal loan is usually preferable to a private loan because

- A) it is easier to obtain.
- B) interest rates tend to be variable.
- C) interest rates tend to be lower.
- D) repayment timelines are shorter.

Answer: C

Diff: 5

Skill: Evaluating

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

20) Gustavo is going to start college next year and is considering a financial aid package that includes a federal loan, a private loan, a grant, and work study. What are his two BEST options in that package if he wants to keep his costs down?

- A) the federal loan and private loan
- B) the federal loan and work study
- C) the grant and work study
- D) the federal loan and grant

Answer: C

Diff: 3

Skill: Applying

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

21) A credit card is a(n) _____ loan.

- A) secured
- B) unsecured
- C) permanent
- D) impermanent

Answer: B

Diff: 1

Skill: Remembering

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

22) What is one benefit of having a credit card?

- A) You can spend without limits.
- B) You won't pay interest charges.
- C) You may qualify for free rental cars or hotel rooms.
- D) You may receive purchase protection on products.

Answer: D

Diff: 2

Skill: Understanding

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

23) The starting point in shopping for a credit card is to find out the

- A) annual percentage rate.
- B) source of the card.
- C) grace period.
- D) credit limit.

Answer: A

Diff: 2

Skill: Understanding

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

24) Fees associated with credit cards include all of the following EXCEPT

- A) cash advance fees.
- B) annual fees.
- C) grace fees.
- D) late fees.

Answer: C

Diff: 1

Skill: Remembering

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

25) Why might a person's first credit card have a high APR?

- A) lack of credit history
- B) long credit history
- C) high credit score
- D) low credit limit

Answer: A

Diff: 3

Skill: Applying

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

26) What does a credit score evaluate?

- A) how likely a person is to default on a loan
- B) the length of a person's credit history
- C) the amount of debt a person has
- D) the number of credit cards a person holds

Answer: A

Diff: 1

Skill: Remembering

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

27) Credit scores are based on all of the following EXCEPT

- A) current debt.
- B) total credit available.
- C) marital status.
- D) credit history.

Answer: C

Diff: 2

Skill: Understanding

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

28) Why is a low credit score problematic?

- A) It leads to penalties.
- B) It makes it more difficult to borrow.
- C) It lowers your interest rate.
- D) It raises your credit limit.

Answer: B

Diff: 3

Skill: Applying

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

29) To check your credit report, start by contacting the

- A) Interstate Commerce Commission.
- B) Department of the Treasury.
- C) Department of Commerce.
- D) Federal Trade Commission.

Answer: D

Diff: 1

Skill: Remembering

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

30) Which of the following rules was included in the 2009 CARD Act, designed to regulate the credit card industry?

- A) Interest rates on credit cards cannot be raised.
- B) You must be at least 21 years old to get a credit card.
- C) Students can receive gifts when they apply for credit cards.
- D) Colleges must disclose marketing contracts with credit card companies.

Answer: D

Diff: 2

Skill: Understanding

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

31) Recent changes in credit card rules can be obtained from the

- A) Consumer Financial Protection Bureau.
- B) Banking and Commerce Committee.
- C) Federal Trade Commission.
- D) U.S. Chamber of Commerce.

Answer: A

Diff: 1

Skill: Remembering

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

32) Approximately how many Americans were affected by identity theft in 2013?

- A) 13,000
- B) 130,000
- C) 1.3 million
- D) 13 million

Answer: D

Diff: 1

Skill: Remembering

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

33) What was the financial loss to Americans from identity theft in 2013?

- A) \$3.8 million
- B) \$48 million
- C) \$18 billion
- D) \$28 billion

Answer: C

Diff: 1

Skill: Remembering

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

34) If your ATM or debit card is stolen and used, you will be liable for no more than \$50 in charges if you report the theft within how many business days?

- A) 2
- B) 3
- C) 4
- D) 5

Answer: A

Diff: 1

Skill: Remembering

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

35) If your ATM or debit card is stolen and used, you be responsible for *all* charges put on the card if you fail to report the theft within

- A) 30 days.
- B) 60 days.
- C) 90 days.
- D) 120 days.

Answer: B

Diff: 2

Skill: Understanding

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

36) What is phishing?

- A) an email scam used to seek personal financial information
- B) a computer virus
- C) a phony credit card application
- D) a fraudulent credit report offer

Answer: A

Diff: 1

Skill: Remembering

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

37) Why is identity theft more commonly experienced by users of social media?

- A) Social media websites are hacked often.
- B) Social media companies engage in fraud.
- C) Social media users often share private information online.
- D) Social media sites download computer viruses onto personal computers.

Answer: C

Diff: 2

Skill: Understanding

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

38) All of the following actions can help protect against identity theft EXCEPT

- A) shredding credit card statements to remove account numbers.
- B) password locking your smart phone and PC.
- C) not responding to phishing schemes.
- D) not getting a smart card.

Answer: D

Diff: 2

Skill: Understanding

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

39) Financial status has no relation to an individual's health.

Answer: FALSE

Diff: 2

Skill: Understanding

Section: The Link Between Health and Wealth

Learning Outcome: 1a.1

40) To reduce college costs, more than 40 percent of students live at home or with a relative.

Answer: TRUE

Diff: 1

Skill: Remembering

Section: Financial Struggles in College

Learning Outcome: 1a.2

41) The median income of high school graduates is only a little over half that of people who hold a bachelor's degree.

Answer: TRUE

Diff: 1

Skill: Remembering

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

42) A budget is a record of spending over a long period of time.

Answer: FALSE

Diff: 2

Skill: Understanding

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

43) A budget deficit is the money left over for savings after expenses have been paid.

Answer: FALSE

Diff: 1

Skill: Remembering

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

44) One purpose of budgeting is to help you save more than you spend.

Answer: TRUE

Diff: 2

Skill: Understanding

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

45) Fixed expenses are those that don't change much in a short period of time, such as car loan payments or rent.

Answer: TRUE

Diff: 1

Skill: Remembering

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

46) Purchasing health insurance should be low on your financial priority list.

Answer: FALSE

Diff: 2

Skill: Understanding

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

47) With credit cards, the credit limit and APR are the same.

Answer: FALSE

Diff: 1

Skill: Remembering

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

48) Individuals cannot find out their credit score.

Answer: FALSE

Diff: 2

Skill: Understanding

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

49) Updating computer software can help guard against identity theft.

Answer: TRUE

Diff: 2

Skill: Understanding

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

50) Explain how the following countries demonstrate the relationship between health and economic prosperity: Norway, France, Russia, India.

Answer: As the graph on p. 26 shows, Norway and France have relatively high per capita GDP and relatively long life expectancies. Russia and India have much lower GDP per capita and shorter life expectancies. This data supports the idea that economic prosperity contributes to better health overall.

Diff: 4

Skill: Analyzing

Section: The Link Between Health and Wealth

Learning Outcome: 1a.1

51) Identify at least two advantages and two disadvantages of working your way through college.
Answer: Students should identify at least two advantages and disadvantages, such as the following.

Advantages might include:

- You would have more money to pay for college tuition, fees, books, supplies, room, board, etc.
- You would gain work experience that could enrich your academic learning as well as inform your search for permanent employment once you've graduated.
- You would make professional contacts who might be able to help you in your post-graduation job search.

Disadvantages might include:

- The time you spend working could reduce the time you have available for studying, doing lab or project work, exercising, or volunteering in activities and programs that may be personally enriching or related to your field of study.
- The job hours could overlap with the hours of classes you need for your major, thereby increasing the number of semesters or years it takes you to complete your degree program.
- The stress of work expectations and work relationships might increase your overall stress level, including by creating time conflicts between job responsibilities and academic responsibilities.
- The dual burden of school and work might reduce your sleep time and leave you at greater risk for infections and other illnesses related to sleep and immunity.

Diff: 5

Skill: Evaluating

Section: Financial Struggles in College

Learning Outcome: 1a.2

52) Identify five reasons why federal student loans are generally preferable to private loans.
Answer: Students should cover at least five of the following points.

- Repayment timelines start later.
- Interest rates are fixed and often lower.
- Students may qualify for subsidized loans.
- Credit checks are not needed.
- Interest may be tax deductible.
- Loan payments can sometimes be deferred for hardship reasons.
- Several repayment plans are available.
- A portion of the loan may be forgiven if the holder works in public service.

Diff: 5

Skill: Evaluating

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

53) Why should people be cautious in their use of credit cards?

Answer: The danger of credit cards is that they make it too easy to spend money. If spending gets out of control, extra fees and compounding interest can make a person's debt grow very fast.

Diff: 4

Skill: Analyzing

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

54) Why is identity theft such a problem today?

Answer: Identity theft has grown with the rising use of credit cards, computers, and online banking. It is a problem because it is so widespread and has great economic and personal effects, including billions of dollars in monetary losses and damage to individual credit ratings. Medical account theft can affect a person's health care records and treatments.

Diff: 4

Skill: Analyzing

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3

55) List at least three things you should do if you suspect that your identity has been stolen.

Answer: Students should list at least three of the following:

- Place a fraud alert on credit reports and request copies of reports to review.
- Close accounts that were misused or set up fraudulently.
- Fill out dispute forms so the fraudulent debts won't be held against you.
- File a police report to document the crime.
- Visit the website of the Federal Trade Commission to learn more guidelines.

Diff: 3

Skill: Applying

Section: Actions to Improve Your Financial Health

Learning Outcome: 1a.3