**Unit 7 Study Guide Name:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Period:\_\_\_\_\_\_\_\_**

**Personal Finances**

Test Date:

Tutoring:

1. What is an **incentive**?
2. Give an example of a **positive incentive** & example of a **negative incentive**. (notes)
3. Explain why people respond to positive and negative incentives in predictable ways.
4. What is a **rational decision**? (notes)
5. What is a **financial institution**? (notes)
6. What is a **commercial bank**? (pg. 511)
7. What is a **savings and loan**? (pg. 511)
8. What is a **credit union**? (pg. 511)
9. How is a **commercial bank** different from a **credit union**? (pg. 510-511)
10. How do banks and other financial institutions make money? (notes)
11. What is the relationship between **interest charged** and **interest earned**? (notes)
12. What is **credit**? (pg. 512)
13. What is a **mortgage**? (pg. 261)
14. What is an **annual percentage rate (APR)**? (pg. 514)
15. What is an **investment**?
16. How can you maintain good **credit**? (pg. 513)
17. What are five things that affect your **credit worthiness**? (pg. 513)
18. What is the relationship between **risk & return**? (pg. 509)
19. What is a **stock**? Is it a safe or a risky investment? (pg. 507)
20. What is a **bond**? Is it a safe or a risky investment? (pg. 507)
21. What is a **mutual fund**? Is it a safe or a risky investment? (pg. 509)
22. What is a **certificate of deposit (CD)**? Is it safe or a risky investment? (notes)
23. What is a **principal**? (pg. 261)
24. What is the difference between **simple interest and compound interest**? (pg. 261
25. What type of interest would you want to have on a loan? (pg. 261-262 & notes)
26. What type of interest would you want to have on an investment? (pg. 261-262 & notes)
27. Give an example of someone who “loses” when we experience inflation. (pg. 342-343)
28. What is a **progressive tax**? Give example. (pg. 361)
29. What is a **regressive tax**? Give example. (pg. 361)
30. What is a **proportional tax**? Give example. (pg. 361)
31. How does an increase in **sales tax** affect people in poverty?
32. What is the purpose of **insurance**?
33. How do insurance and other risk-management strategies protect against **financial loss**? (notes)
34. How does insurance offer its customers **shared liability**? (notes)
35. Describe the five types of **insurance**: (pg. 525 & notes)
	1. **automobile insurance**:
	2. **health insurance**:
	3. **life insurance**:
	4. **disability insurance**:
	5. **property insurance**:
36. What are the *costs* of insurance? (notes)
37. What are the *benefits* of insurance? (notes)
38. What is a **deductible**? (pg. 524)
39. What is a **premium**? (pg. 524)
40. The *higher* the deductible the \_\_\_\_\_\_\_\_\_\_\_\_ the premium. The *lower* the deductible the \_\_\_\_\_\_\_\_\_\_\_\_\_\_ the premium.
41. Why is it important to invest in education, training, and skill development?
42. Why does a brain surgeon make more money than a teacher?