

# CEE *Standard 3* SAVING

GRADE 12  
BENCHMARKS

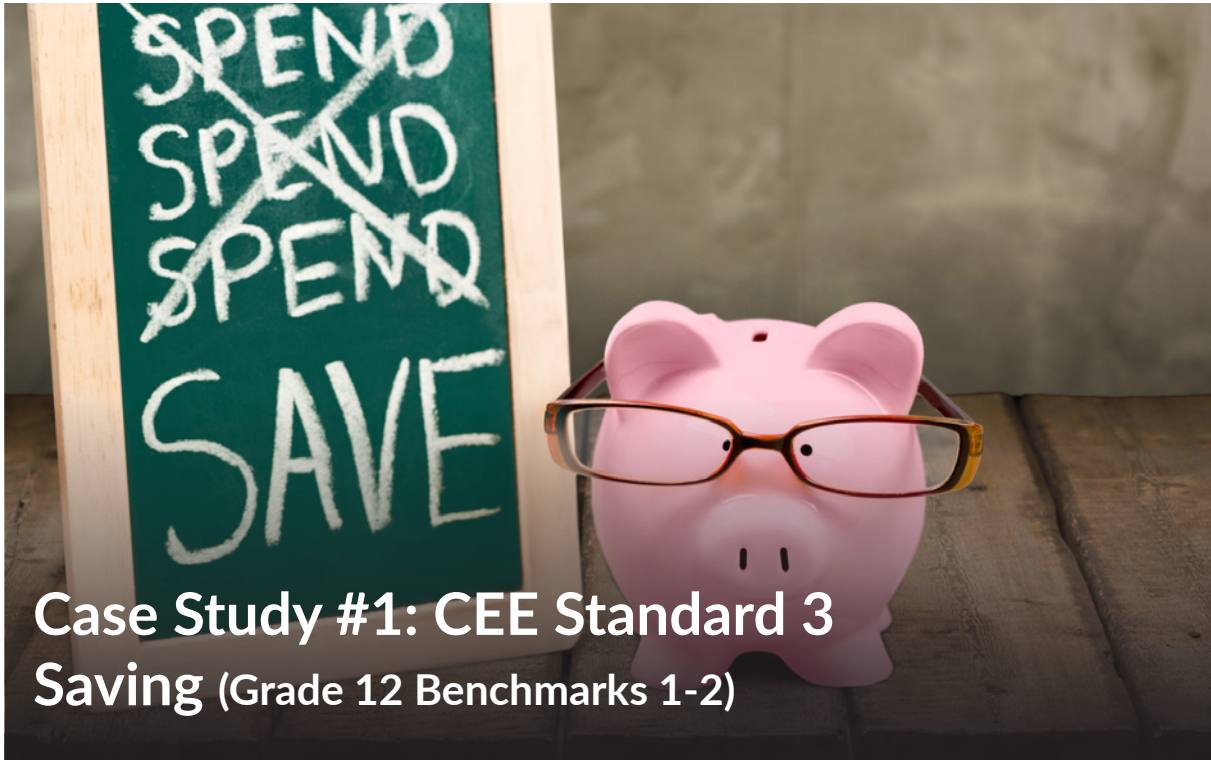


education

THE BENCHMARKS FOR GRADE 12 INTRODUCE MORE COMPLEX CONCEPTS, SUCH AS REAL VERSUS NOMINAL INTEREST RATES, PRESENT VERSUS FUTURE VALUE, FINANCIAL REGULATORS, THE FACTORS DETERMINING THE VALUE OF A PERSON'S SAVINGS OVER TIME, AUTOMATIC SAVINGS PLANS, RAINY-DAY FUNDS, AND SAVING FOR RETIREMENT.

[www.centsaieducation.com](http://www.centsaieducation.com)

1. When consumers want a particular item but are impatient, they tend to:
  - a. Wait until the item goes on sale
  - b. Purchase the item right away
  - c. Save enough money and then make the purchase
  - d. Borrow money from a friend to buy the item
2. In which of the following ways does inflation affect money?
  - a. Increases the value
  - b. Makes the money vanish from your bank account
  - c. Reduces the value
  - d. Has no impact as long as the money is in a bank account
3. The real interest rate is expressed as:
  - a. Rate of inflation minus nominal interest rate
  - b. Nominal interest rate minus rate of inflation
  - c. Nominal interest rate minus rate of inflation minus APR
  - d. None of the above
4. The nominal interest rate is affected by the rate of inflation.
  - a. True
  - b. False
5. The nominal interest rate varies from the real interest rate because:
  - a. The nominal interest rate focuses on the value of savings
  - b. The nominal interest rate focuses on purchasing power
  - c. The nominal interest rate focus on both the value of savings and the purchasing power
  - d. The nominal interest rate is always greater
6. If you want to determine how the value of your savings will grow over time, you should pay attention to:
  - a. The real interest rate
  - b. The rate of inflation
  - c. The nominal interest rate
  - d. All of the above
7. If you want to determine the purchasing power of your savings over time, you should pay attention to:
  - a. The real interest rate
  - b. The rate of inflation
  - c. The nominal interest rate
  - d. All of the above
8. Which of the following government agencies does not supervise and regulate financial institutions?
  - a. Federal Reserve System
  - b. Office of the Comptroller of the Currency
  - c. Federal Department of Banks
  - d. Consumer Financial Protection Bureau
9. Employee benefit programs, such as retirement accounts:
  - a. Create incentives for employees to save
  - b. Create disincentives for employees to save
  - c. Both a and b
  - d. None of the above



## Case Study #1: CEE Standard 3 Saving (Grade 12 Benchmarks 1-2)

**Scenario:** Chelsea receives \$100 in cash from her grandparents for Christmas. Because she received everything she wanted from her parents, Chelsea decides to deposit the money into her savings account, which has a balance of \$500.

That's until she hears that a new version of the iPhone is being released soon. To get one, all she'll needs to do is contribute \$150 to her monthly phone bill, which her parents cover. Doing so will take care of the down payment for the phone.

Based on this information, answer the questions below.

1. Should Chelsea deposit the funds as planned or purchase the new iPhone? When weighing her options, what other factors should she consider?

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2. If Chelsea purchases the iPhone and receives a \$100 rebate, how do you think she will feel about her purchasing decision?

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3. If Chelsea decides to deposit the funds and the rate of return on her savings account increases, how will her earning potential be affected, assuming she doesn't make any additional deposits?

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4. As the rate of inflation increases, how will the value of Chelsea's money be affected?

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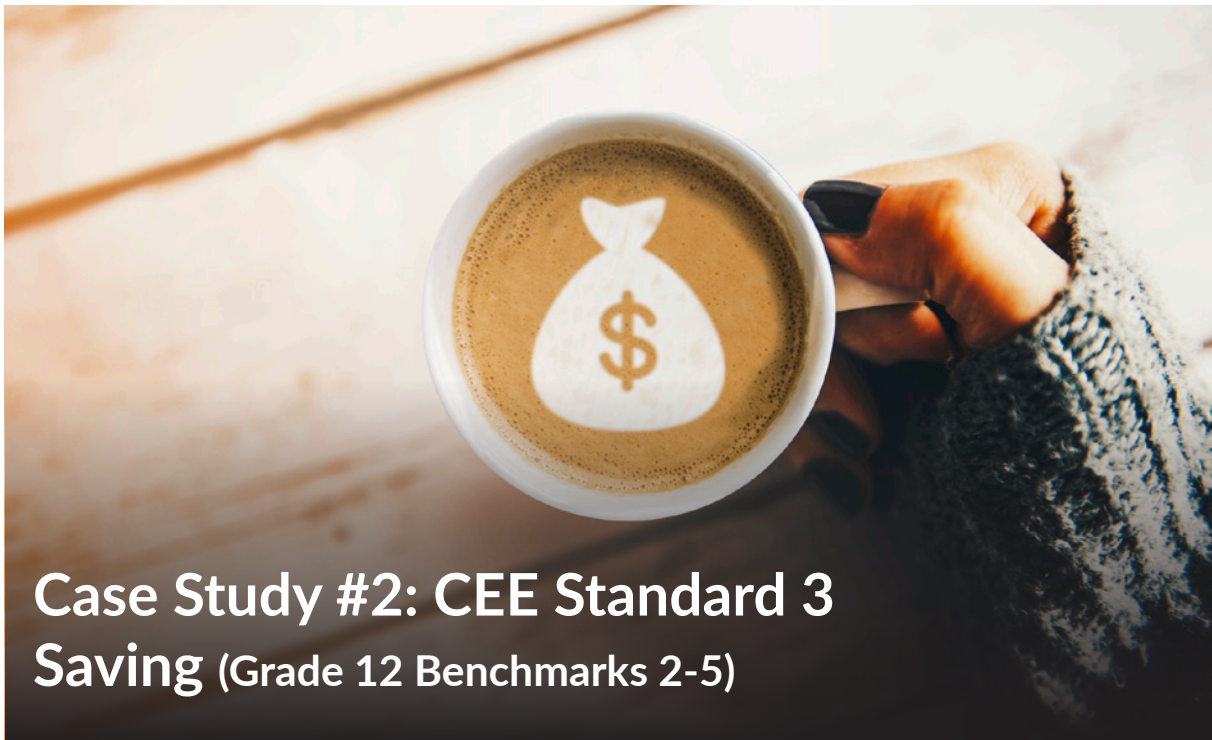
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5. Describe compounding interest and how it could affect Chelsea's savings account.

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## Case Study #2: CEE Standard 3 Saving (Grade 12 Benchmarks 2-5)

**Scenario:** The current rate of inflation is 3 percent, and the nominal interest rate on a bond your parents purchased for you is 6 percent.

Based on this information, answer the questions below.

1. What is the real interest rate?

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2. Why are real interest rates usually positive?

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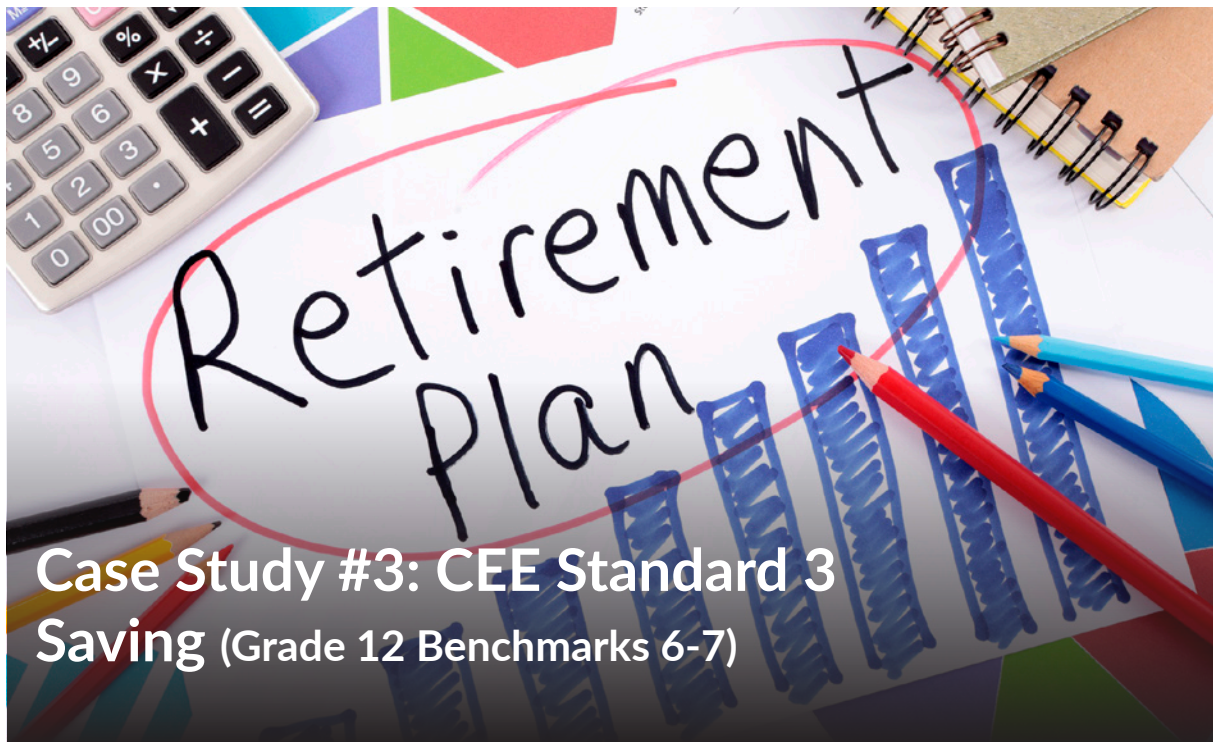
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3. How does the nominal interest rate vary from the real interest rate?

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### Case Study #3: CEE Standard 3 Saving (Grade 12 Benchmarks 6-7)

**Scenario:** Your aunt decides to open a stock portfolio for you as a birthday present. Although it's worth only \$500, she assures you that it's a great way to learn about investments and start building wealth to supplement future retirement savings. Even better, you will have the opportunity to make changes to the portfolio when you turn 21. After the conversation, you are eager to learn more about saving for retirement and why it's better to start sooner than later.

Based on this information, answer the questions below.

1. Name and describe two types of retirement accounts that provide incentives for consumers to save for retirement.

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2. What's the difference between a 401(k), a traditional IRA, and a Roth IRA?

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3. What is 401(k) matching?

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## QUIZ ANSWER KEY

CEE Standard 3: Saving  
Grade 12 Benchmarks (1-8)

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