



Fact Sheet

PERSONAL FINANCE

TEST INFORMATION

This test was developed to enable schools to award credit to students for knowledge equivalent to that, which is learned, by students taking the course. The school may choose to award college credit to the student based on the achievement of a passing score. The passing score for each examination is determined by the school based on recommendations from the American Council on Education (ACE®). This minimum credit-awarding score is equal to the mean score of students in the norming sample who received a grade of C in the course. Some schools set their own standards for awarding credit and may require a higher score than the ACE recommendation. Students should obtain this information from the institution where they expect to receive credit.

CONTENT

The following topics, which are commonly taught in courses on this subject, are covered by this examination.

- Approximate
Percent
12 %**
- I. Overview
 - J. Financial goals and values
 - K. Budgeting (spending plan) and financial statements
 - L. Cash management
 - M. Economic terminology (recession, depression, etc.)
 - N. Institutional aspects of financial planning (e.g., CFP, CHFC, FDIC, NASD, SEe)

**Approximate
Percent
20%**

- II. Credit and Debt
 - A. Credit cards
 - B. Installment loans
 - C. Interest calculations
 - D. Federal credit laws
 - E. Creditworthiness, credit scoring and reporting
 - F. Bankruptcy
 - 1. Various chapters
 - 2. Alternatives
 - 3. Advantages and disadvantages

- III.
 - A. Auto, furniture, appliances
 - 1. Preshopping research! comparison shopping
 - 2. Lease vs. buy
 - 3. Warranties/service contracts
 - 4. Lemon laws and redress
 - a. Effective complaining b. Small claims court
 - B. Housing
 - 1. Rent vs. buy
 - 2. Financing
 - a. Adjustable Rate Mortgages (ARMs)
 - b. Fixed-rate mortgages
 - c. Closing costs d. **PITI**
 - 3. Rules of thumb (ratios)
 - 4. Roles of professionals (real estate agents, inspectors, appraisers, lawyers)

IV.	<u>Approximate Percent</u>	<u>Approximate Percent</u>
Taxes	11%	
A. Payroll		C. Equities
B. Income		1. Stock exchanges
C. IRS and audits		2. Over-the-counter stocks
D. Estate and gift		3. Primary vs. secondary markets
E. Tax planning/estimating		4. Common vs. preferred stocks
F. Progressive vs. regressive		5. PIE ratio
G. Other (excise, property, state income)		6. Stock analysis techniques
H. Tax professionals		D. Mutual funds
V. Insurance	14%	1. Dollar-cost averaging
A. Risk management		2. Load vs. no-load
B. Life policies		3. Fee structures
1. Term vs. cash value		E. Other (e.g., commodities, precious metals, real estate, options)
2. Policy terminology		F. Sources of information (e.g., professionals, Moody's, S&P, <i>Morning Star</i> , <i>Barrons</i> , <i>Value Line</i> , prospectuses, audited annual financial reports)
C. Property and liability policies		G. Time value of money
1. Personal and family auto		H. Asset/Portfolio allocation
2. Homeowners		
3. Umbrella coverage		VII. Retirement and Estate Planning
4. Terminology		A. Qualified retirement accounts (roll-overs) (e.g., IRA, SEP, Keogh, 401(k), 403(b))
D. Health and Disability policies		B. Terminology (vesting, maturity)
1. Major medical		C. Social Security benefits
2. HMOs		D. Wills and trusts
3. Medicare and Medicaid		E. Tax-deferred annuities
4. Terms and concepts		F. Estate planning (e.g., probate vs. non-probate)
E. Specialty insurance (e.g., professional, malpractice, antiques)		
F. Insurance analysis and sources of information		Questions on the test require candidates to demonstrate the following abilities. Some questions may require more than one of the abilities.
VI. Investments	1	Knowledge of basic facts and terms (about 45 - 50% of the examination)
A. Liquid assets		Understanding of concepts and principles (about 30 -35% of the examination)
1. Savings accounts		Ability to apply knowledge to specific problems and situations (about 15 - 20% of the examination)
2. Certificates of Deposit (CDs)		
3. Money market funds/Money market deposit accounts		
4. Emergency funds		
B. Fixed income Bonds (e.g., Treasury, municipal, deep discount, corporate, junk, zero-coupon, Ginnie Mae)		

SAMPLE QUESTIONS

- Which of the following resources could be used to evaluate the financial strength of an insurance company?
 - Morningstar
 - Best's
 - Dun & Bradstreet
 - Standard and Poor's
- Joe and Betty are both recent college graduates in their mid-twenties and are working at junior executive positions in medium-size firms. They plan to get married in two months and hope to have a baby within the next three years. Which of the following short-term goals should they be considering now?
 - Accumulating a savings fund for their honeymoon
 - Establishing a retirement plan for themselves
 - Establishing a college tuition fund for their child
 - Accumulating a down payment for a house
- The federal income tax is considered a progressive tax because as a person's income rises the person's tax rate
 - remains the same
 - Increases
 - decreases
 - fluctuates
- Which of the following types of bankruptcy is designed for debtors with regular incomes who must attempt to repay as much of the debt as possible within a certain time period?
 - Chapter 5
 - Chapter 7
 - Chapter 11
 - Chapter 13
- A lender is offering a fixed-rate loan with two points. If a family plans to purchase an \$80,000 house by putting 20% down and borrowing \$64,000, how much will the two points cost?
 - \$1,600
 - \$1,280
 - \$2,000
 - \$1,400
- Which of the following types of insurance provides an individual with a percentage of lost income due to physical or mental incapacity?
 - Health
 - Major medical
 - Disability
 - Umbrella
- A 65-year-old retiree with a 50-year-old spouse is considering various annuity payout options. Which of the following payout options would provide the retiree with the largest annual payment?
 - Straight life
 - Joint life
 - 20-year-certain
 - Refund
- A blue chip company is generally defined as a
 - new company whose stock trades over-the-counter
 - well-established company whose stock trades on the NYSE
 - 20-year-old limited partnership that is sold by stockbrokers
 - 3-year-old mutual fund whose stock trades on the NYSE
- An increase in the consumer price index (CPI) is generally an indication of
 - increased unemployment
 - increased inflation
 - continued recession
 - reduced trade deficit

STUDYING FOR THE EXAMINATION

The following is a list of reference publications that were being used as textbooks in college courses of the same or similar title at the time the test was developed. Appropriate textbooks for study are not limited to those listed below. If you wish to obtain study resources to prepare for the examination, you may reference either the current edition of the following titles or textbooks currently used at a local college or university for the same class title. It is recommended that you reference more than one textbook on the topics outlined in this fact sheet. You should begin by checking textbook content against the content outline included on the front page of this Fact Sheet before selecting textbooks that cover the test content from which to study. Textbooks may be found at the campus bookstore of a local college or university offering a course on the subject.

Sources for study material suggested but not limited to the following:

Garman, E. Thomas and Raymond E. Fogue. *Personal Finance*. Boston: Houghton Mifflin Company, current edition. **332.024 GAR, 7th ed., 2003**

Gitman, Lawrence I. and Michael D. Joehnk. *Personal Financial Planning*. Chicago: The Dryden Press, current edition. **332.024 GIT, 9th ed., 2002**

Hallman, G. Victor and Jerry S. Rosenbloom. *Personal Financial Planning*. New York: McGrawHill, Inc. current edition. **332.024 HAL, 6th ed., 2000**

Kapoor, Jack R., Les R. Dlabay, and Robert I. Hughes. *Personal Finance*. Homewood, IL: Richard D. Irwin, Inc., current edition. **332.024 KAP, 8th ed., 2007**

Lang, Larry R. *Strategy for Personal Finance*. New York: McGraw-Hill, Inc., current edition.

Quinn, Jane Bryant. *Making the Most of Your Money: Smart Ways to Create Wealth and Plan Your Finances in the '90s*. New York: Simon & Schuster, current edition. **332.024 QUI, 1997**

Rosefsky, Robert S. *Personal Finance*. New York: John Wiley & Sons, Inc. current edition. **332.024 ROS, 8th ed., 2002**

Winger, Bernard J. and Ralph R. Frasca. *Personal Finance: An Integrated Planning Approach*. New York: Macmillan Publishing Company, current edition. **332.024 WIN**

Current textbook used by a local college or university for a course on the subject.

CREDIT RECOMMENDATIONS

The American Council on Education (ACE) has reviewed and evaluated the DSST examination development process and has made the following recommendations:

Area or Course Equivalent:	Personal Finance Lower-level baccalaureate
Level:	Three
Amount of Credit:	(3) semester hours ACE
Source:	Commission on Educational Credit and Credentials

INFORMATION

Colleges and universities that would like additional information about the national norming, or assistance in local norming or score validation studies should write to: DSST Program, Mail Stop II-P, Thomson Prometric, 664 Rosedale Road, Princeton, New Jersey 08540.

It is advisable that schools develop a consistent policy about awarding credit based on scores from this test and that the policy be reviewed periodically. Thomson Prometric will be happy to help schools in this effort.

Footnote: These materials can be located at Little Rock Air Force Base Library - 976 Cannon Dr. /501-987-6979