NUMERACY

Monthly expenses

Your average transportation cost, excluding insurance, is €60 per month. The annual insurance premium for your car is €840. What is the total monthly transportation cost, including insurance?

A. € 75
B. € 130
C. € 150

ADULT BASIC

FINANCIAL LITERACY

Paycheque

What is the difference between gross pay and net pay?

A. They are equivalent
B. Net pay is what you earn, gross pay is what you actually receive
C. Gross pay is what you earn, net pay is what you actually receive

ADULT BASIC

FINANCIAL LITERACY

Taxes

A progressive tax is characterized by...

A. a less than proportional rise relative to the increase in income
B. a more than proportional rise relative to the increase in income
C. a proportional rise relative to the increase in income

ADULT BASIC

FINANCIAL LITERACY

Mortgages

Collateral for a housing loan is...

A. the flat or house to be bought
B. the tax to be paid, when buying the flat or house
C. the costs charged by the bank

ADULT BASIC

FINANCIAL LITERACY

Mortgages

The self-financed share of the house...

A. is typically 10-20 percent
B. is typically 80-90 percent
C. is a voluntary payment

ADULT BASIC

NUMERACY

Monthly pay

You earn an hourly rate of €10 per hour. In three months, you worked the following hours: January 150 hours, February 200 hours, March 100 hours. What is your average monthly gross pay?

A. € 1,500
B. € 2,000
C. € 1,000

ADULT BASIC

NUMERACY

Income

You earned €28,000 last year in gross income. You have made a payment of €2,000 into a retirement program. What is your taxable income?

A. € 26,000
B. € 30,000
C. € 28,000

ADULT BASIC

NUMERACY

Car depreciation

A car purchased 5 years ago for €20,000, is now worth €15,000. What are the total depreciation and the average annual depreciation?

A. Total depreciation = €20,000. Average annual depreciation = €4,000
B. Total depreciation = €15,000. Average annual depreciation = €3,000
C. Total depreciation = €5,000. Average annual depreciation = €1,000

ADULT BASIC

NUMERACY

Variable rate loans and interest rate changes

If the interest rate of your variable rate mortgage loan of €100,000 increases by one percent, what happens to your yearly interest expenses?

A. They increase by €1,000
B. They increase by €100
C. Nothing - The profits of the bank decline

ADULT BASIC

ANSWER

A
€ 26,000

WHY?

For tax purposes, gross income is the total income for the year. The government allows certain adjustments that decrease gross income, such as money paid into retirement plans. The result is called your Adjusted gross income.
Adjusted gross income = Gross Income - Adjustments to Income.
If you do not qualify for any other deductions, this is your taxable income.

ANSWER

C
Total depreciation = €5,000. Average annual depreciation = €1,000

WHY?

A vehicle loses value over time due to wear and tear and obsolescence. The loss of value is called depreciation. The difference between the original value and its resale or trade-in value, is the amount of depreciation.
Depreciation = €20,000 - €15,000 = €5,000
Average annual depreciation = €5,000/5 = €1,000

ANSWER

A
They increase by €1,000

WHY?

Variable rate loans are indexed to short-term interest rates. These are normally, in a given moment, lower than long term ones. But things may change. Short term interest may rise due to inflation or policy decisions.. There is a trade-off between the upside risk of a variable rate loan and that of a fixed rate loan.

ANSWER

A
the flat or house to be bought

WHY?

For a mortgage, the collateral is often the house purchased with the funds from the mortgage. A bank may require a collateral, seizing it if the borrower is not able to repay the loan. Loans that are secured by collateral typically have lower interest rates than unsecured loans.

ANSWER

A
is typically 10-20 percent

WHY?

A bank does not usually fully finance the purchase of the house. Moreover, a bank will seek further guarantees by requiring some collateral, usually the house purchased itself.

ANSWER

A
€ 1,500

WHY?

Many employees do not earn the same amount every pay period. To find the average, add the numbers together and divide by the number of items added.
Average number of hours worked per month = (150 + 200 + 100)/3 = 450/3 = 150 hours
Average monthly gross pay = 150 x €10 = €1,500

ANSWER

B
€ 130

WHY?

Certain expenses, e.g. insurance premiums, are paid quarterly, semi-annually, or yearly. When tracking expenses monthly, you may forget about them. To save the amount to be paid, you should calculate the average over the payment period.
Monthly amount needed for insurance = €840/12 = €70
Total monthly transportation cost = €60 + €70 = €130

ANSWER

C
Gross pay is what you earn, net pay is what you actually receive

WHY?

Gross pay is the amount of money an employee earns. Typically, an employee receives less than the gross pay due to taxes and other deductions. Net pay is the amount of pay after all deductions. Net pay is also called take-home pay. In addition to taxes, there may be other deductions, such as insurance premiums and retirement plan contributions.

ANSWER

B
a more than proportional rise relative to the increase in income

WHY?

With progressive taxation, the tax rate increases as we move from one income bracket to a higher one, the lower brackets remaining unaffected. The more we earn, the higher our marginal tax rate, that is, the amount of additional tax paid for the next euro earned.
Progressive taxation aims at fairness through very low or zero levels of taxation up to given earnings amounts.

ADULT

BASIC

FINANCIAL LITERACY

Bonds

What is a bond?

A. A private contract that is binding
B. An obligation for the investor to give up his entitlements
C. A security paying the principal at maturity and usually also interest.

ADULT

BASIC

FINANCIAL LITERACY

Factors affecting cost of insurance

You have to renew your car insurance, but a number of factors have changed since last year. Which factor has NO effect on cost?

A. You were responsible for two road accidents last year
B. You have replaced your old car with a much more powerful one
C. Your plates were stolen. The new ones have different numbers

ANSWER

C

A security paying the principal at maturity and usually also interest.

WHY?

Bonds are mid to long term debt securities issued by companies, banks and sovereign governments. A bond is referred to as a fixed-income instrument since they traditionally paid a fixed interest rate (coupon) to debtholders but variable or floating interest rates are also common.

ANSWER

C

Your plates were stolen. The new ones have different numbers

WHY?

The insurance should register at zero cost the new plate numbers. Usually, car insurance fees are related to the power of the car and also include penalties for the costs of accidents beyond agreed minimum thresholds.