

Personal Finance, 6e (Madura)
Chapter 6 Managing Your Money

6.1 Background on Money Management

1) Money management is a series of decisions made over a short-term period regarding cash inflows and outflows.

Answer: TRUE

Diff: 1

Question Status: Previous edition

2) Liquidity refers to your ability to cover any long-term cash deficiencies.

Answer: FALSE

Diff: 2

Question Status: Previous edition

3) Money management has no relationship to the personal cash flow statement.

Answer: FALSE

Diff: 1

Question Status: Previous edition

4) You should attempt to have a sufficient amount of funds in liquid assets to draw on when your cash outflows exceed your cash inflows.

Answer: TRUE

Diff: 1

Question Status: Previous edition

5) Maintaining liquid assets that you can easily access when you need funds allows you to avoid using credit and paying finance charges.

Answer: TRUE

Diff: 1

Question Status: Previous edition

6) In general, the more liquid an asset, the higher its return.

Answer: FALSE

Diff: 1

Question Status: Previous edition

7) Liquidity is necessary because there are times during the year when your cash inflows are not adequate to cover your cash outflows.

Answer: TRUE

Diff: 1

Question Status: Previous edition

8) To achieve both liquidity and an adequate return, you should consider investing in only one money market investment with a fixed interest rate and a long maturity date.

Answer: FALSE

Diff: 2

Question Status: Previous edition

9) Good cash management requires some liquidity, but excessive liquidity has an opportunity cost.

Answer: TRUE

Diff: 1

Question Status: Previous edition

10) Which of the following does money management **not** involve?

A) A series of decisions

B) A long-term time period

C) Cash inflows

D) Cash outflows

Answer: B

Diff: 2

Question Status: Previous edition

11) _____ management is a series of decisions made over a short-term period regarding cash inflows and outflows.

A) Cash

B) Money

C) Liabilities

D) Both A and B are correct.

Answer: B

Diff: 1

Question Status: Revised

12) Your ability to cover any short-term cash deficiencies is called

A) solvency.

B) wealth.

C) liquidity.

D) cash planning.

Answer: C

Diff: 1

Question Status: Previous edition

13) A disadvantage of using credit as a source of liquidity is the

- A) inconvenience of using credit.
- B) potential cost of finance charges.
- C) acceptability of credit by creditors.
- D) poor records available after credit use.

Answer: B

Diff: 1

Question Status: Previous edition

14) In general, the more liquid an investment is, the _____ the return you will receive.

- A) lower
- B) higher
- C) less predictable
- D) There is no relationship between liquidity and return.

Answer: A

Diff: 1

Question Status: Previous edition

15) Generally, yields are _____ for securities that are exposed to _____ liquidity risk.

- A) higher; more
- B) higher; less
- C) lower; less
- D) Both A and C are correct.

Answer: D

Diff: 2

Question Status: Previous edition

16) To achieve both liquidity and an adequate return, you should consider investing in

- A) only one money market investment with a high return and low liquidity.
- B) only one money market investment with low return and high liquidity.
- C) multiple money market investments with varied returns and levels of liquidity.
- D) multiple money market investments with high returns and high liquidity.

Answer: C

Diff: 2

Question Status: Previous edition

17) Your ability to cover short-term cash deficiencies is a measure of your _____.

Answer: liquidity

Diff: 1

Question Status: Previous edition

18) Describe the relationship between return and liquidity using a one-year CD and a checking account to illustrate.

Answer: The highest return is least liquid (the CD). In exchange for liquidity, the return is lower with a checking account.

Diff: 1

Question Status: Previous edition

Use the following two columns of items to answer the matching questions below:

- A) a series of decisions made over a short-term period regarding cash inflows and outflows
- B) ability to cover cash deficiencies
- C) cash outflows are more than inflows

19) money management
Diff: 1
Question Status: Revised

20) liquidity
Diff: 1
Question Status: Revised

21) cash deficiency
Diff: 1
Question Status: Revised

Answers: 19) A 20) B 21) C

- 22) Financial advisors often advise having 4-6 months of income in "near cash" for rainy day funds. Which of these investments do not provide the necessary liquidity to meet this need?
- A) Bank money market fund
 - B) Stock market listed money market fund
 - C) High dividend paying blue chip stock
 - D) B and C do not provide the necessary liquidity

Answer: C
Diff: 2
Question Status: New

23) Developing a monthly budget as part of your annual financial plan to determine excess cash or cash deficiencies, and then developing a plan to invest (or fund) the excess (deficient) cash position is a process called

- A) personal financial accountability.
- B) money management.
- C) liquidity management.
- D) budgeting.

Answer: B
Diff: 3
Question Status: New

6.2 Money Market Investments

1) Overdraft protection for a checking account is a low-cost short-term loan.

Answer: FALSE

Diff: 1

Question Status: Previous edition

2) Stopping payment on a check should be used if you paid to have your bathroom remodeled and the job was not completed.

Answer: TRUE

Diff: 2

Question Status: Previous edition

3) If you lose your checkbook, the bank will not charge you for stopping payment on any unused blank checks.

Answer: FALSE

Diff: 3

Question Status: Previous edition

4) Because most regular checking accounts do not pay interest, you should keep only enough funds in your account to cover anticipated expenses with a small reserve for unanticipated expenses.

Answer: TRUE

Diff: 1

Question Status: Previous edition

5) An advantage of a NOW account over a traditional checking account is that your money is more readily available to you.

Answer: FALSE

Diff: 2

Question Status: Previous edition

6) The \$500 minimum balance you are required to keep in your NOW checking account represents an opportunity cost.

Answer: TRUE

Diff: 2

Question Status: Previous edition

7) Certificates of deposit are highly liquid and pay the highest investment returns.

Answer: FALSE

Diff: 1

Question Status: Previous edition

8) CDs that have small denominations (such as \$10,000 or less) are sometimes referred to as retail CDs because they are more attractive to individuals than to firms.

Answer: TRUE

Diff: 1

Question Status: Previous edition

9) Since CDs are insured by the FDIC, the rates are usually the same from one institution to another.

Answer: FALSE

Diff: 1

Question Status: Previous edition

10) To calculate interest earned, multiply the deposit amount by the annual interest rate times the adjustment for the investment period.

Answer: TRUE

Diff: 2

Question Status: Previous edition

11) A money market deposit account (MMDA) requires a minimum balance, pays interest, and allows a limited number of checks to be written each month.

Answer: TRUE

Diff: 2

Question Status: Previous edition

12) Treasury bills (T-bills) are Treasury securities with maturities of one year or less.

Answer: TRUE

Diff: 1

Question Status: Revised

13) Treasury bills (T-bills) may be purchased by individuals, and require a minimum investment of \$100 par value.

Answer: TRUE

Diff: 2

Question Status: Revised

14) Treasury bills are more liquid than CDs because there is a secondary market for T-bills.

Answer: TRUE

Diff: 2

Question Status: Previous edition

15) Money market funds (MMFs) that invest in commercial paper are insured by the FDIC.

Answer: FALSE

Diff: 1

Question Status: Revised

16) A money market account combines deposit accounts with a brokerage account, provides a single consolidated statement, and "sweeps" the unused balance from the checking account to a savings account daily.

Answer: FALSE

Diff: 2

Question Status: Previous edition

17) An asset management account combines deposit accounts with a brokerage account and provides a single account statement.

Answer: TRUE

Diff: 1

Question Status: Previous edition

18) Which of the following is **not** a money market investment?

A) Shares of corporate stock

B) NOW account

C) Savings account

D) Treasury bills

Answer: A

Diff: 1

Question Status: Previous edition

19) Which of the following should **not** be considered when evaluating a checking account?

A) Whether overdraft protection available and the cost

B) The cost of a stop payment order

C) The fees charged monthly

D) Whether the account is insured for more than \$250,000

Answer: D

Diff: 1

Question Status: Revised

20) Stopping payment on a check

A) is possible after the check clears in cases of disputes.

B) can only be used if the check has not cleared.

C) is free if your checkbook is lost or stolen.

D) is encouraged by most banks as a customer service.

Answer: B

Diff: 2

Question Status: Previous edition

21) An arrangement that protects a customer who writes a check or uses a debit card for an amount that exceeds the checking account balance is called

- A) liquid investment.
- B) stop payment.
- C) overdraft protection.
- D) automatic transfer.

Answer: C

Diff: 2

Question Status: Revised

22) If a bank provides overdraft protection at a rate of 12% for each \$100 (or portion of \$100) borrowed when an overdraft occurs, what amount of interest would a customer pay for a \$188 overdraft?

- A) \$24.00
- B) \$22.56
- C) \$10.56
- D) \$12.00

Answer: B

Diff: 2

Question Status: Previous edition

23) Checking accounts may offer all of the following **except**

- A) account balance insurance in excess of \$250,000.
- B) stop payment services.
- C) overdraft protection.
- D) ATM privileges.

Answer: A

Diff: 1

Question Status: Previous edition

24) Which of the following is **not** an advantage of a checking account?

- A) Stop payment services
- B) Overdraft protection
- C) Interest earned on balances that exceeds the rates offered on CD's
- D) Liquidity

Answer: C

Diff: 1

Question Status: Revised

25) Which of the following is **not** true of a NOW account?

- A) Offered by depository institutions
- B) Pays relatively low interest
- C) Only three checks per month can be written
- D) Requires a minimum balance

Answer: C

Diff: 2

Question Status: Previous edition

26) Which of the following is true about a NOW account?

- A) Pays no interest
- B) Not as liquid as a traditional checking account
- C) No minimum balance is required
- D) Is not an insured account

Answer: B

Diff: 1

Question Status: Previous edition

27) Kayla deposits \$1,500 into a NOW account that requires a minimum balance of \$500 and offers an interest rate of 2.4%. How much interest will she earn in one year in the NOW account?

- A) \$360
- B) \$24
- C) \$12
- D) \$36

Answer: D

Diff: 1

Question Status: Previous edition

28) Which of the following is **not** true regarding a savings account?

- A) It does not provide checking services.
- B) It is less liquid than a checking account.
- C) It pays lower interest than a checking account.
- D) It is less convenient than a checking account.

Answer: C

Diff: 1

Question Status: Previous edition

29) Kelly deposits \$1,000 in her savings account earning 4% per year. How much interest would she earn in a year?

- A) \$4
- B) \$40
- C) \$44
- D) \$400

Answer: B

Diff: 1

Question Status: Previous edition

30) You have \$3,000 that you may need to use to replace the furnace in your home. If you need the funds, it would be on no less than a week's notice. Into which type of account would it be best for you to deposit the \$3,000?

- A) Checking account
- B) Savings account
- C) NOW account
- D) All of the above would be equally acceptable.

Answer: B

Diff: 1

Question Status: Previous edition

31) Which of the following is **not** true about certificates of deposit (CDs)?

- A) They pay higher interest than a saving account.
- B) They are only offered in denominations of \$100,000 or more.
- C) They are not as liquid as a savings account.
- D) Funds are locked in for specific periods of time.

Answer: B

Diff: 1

Question Status: Revised

32) Which of the following is **not** true about a certificate of deposit (CD)?

- A) They pay higher interest than T-bills.
- B) They are long-term investments of two years or more.
- C) Funds are locked in for specific periods of time.
- D) A penalty is imposed for early withdrawal.

Answer: B

Diff: 2

Question Status: Previous edition

33) When purchasing a certificate of deposit (CD),

- A) you are always better off to buy the longer-term CDs.
- B) you will earn more interest percentage-wise on the lower dollar CDs.
- C) the amount you invest is at risk, so choose carefully.
- D) it is wise to shop around as rates vary among financial institutions.

Answer: D

Diff: 2

Question Status: Previous edition

34) A 180-day CD offers an annualized interest rate of 1.10% and requires a minimum deposit of \$25,000. The amount of interest that will be earned on this investment is

- A) \$135.62.
- B) \$275.00.
- C) \$137.50.
- D) \$2,750.00.

Answer: A

Explanation: A) $\$25,000 \times 1.10\% \times 180/365 = \135.62

Diff: 2

Question Status: Revised

35) You have a choice between investing \$10,000 in a CD that in six months will pay you \$10,190 or investing \$9,800 in a T-bill that in 182 days will return \$10,000. Ignoring any opportunity cost between the two investments, which will give you the higher annualized return and what will the annualized return be?

- A) T-bill; 2.2%
- B) T-bill; 4.09%
- C) CD; 3.8%
- D) CD; 1.9%

Answer: B

Diff: 2

Question Status: New

36) Which of the following items will usually give you the highest return?

- A) One year CD
- B) Savings account
- C) NOW account
- D) Checking account

Answer: A

Diff: 1

Question Status: Previous edition

37) Which of the following items will give you the greatest liquidity?

- A) One year CD
- B) Savings account
- C) Checking account
- D) NOW account

Answer: C

Diff: 1

Question Status: Previous edition

38) What would be the annualized return to an investor who purchases a one-year \$10,000 T-bill for \$9,600 and sells it on the secondary market 90 days after the purchase for \$9,750?

- A) 3.5%
- B) 6.34%
- C) 10.14%
- D) 16.22%

Answer: B

Diff: 2

Question Status: New

39) In comparing an MMDA to a NOW account, the MMDA does all of the following **except**

- A) the MMDA pays a higher interest rate.
- B) the MMDA has a maturity date whereas a NOW account does not.
- C) the MMDA provides more limited checking services.
- D) the MMDA is less liquid.

Answer: B

Diff: 2

Question Status: Revised

40) All of the following are true of money market deposit accounts (MMDAs) **except**

- A) a minimum balance is required.
- B) they pay higher interest than a NOW account
- C) a limited number of checks may be written monthly.
- D) they are the same regardless of the depository institution offering them.

Answer: D

Diff: 1

Question Status: Revised

41) Which of the following accounts would tend to give you the higher interest combined with ease of access to your funds on a limited basis?

- A) Checking account
- B) MMDA
- C) NOW account
- D) CD

Answer: B

Diff: 1

Question Status: Previous edition

42) Which of the following is **not** a good, short-term money market investment?

- A) NOW account
- B) Savings account
- C) AT&T common stock
- D) Treasury bills

Answer: C

Diff: 1

Question Status: Previous edition

43)) If a \$10,000 T-bill is purchased for \$9,600 and matures in 270 days, what will be the annualized return? (Round to the nearest hundredth of a percent.)

- A) 4.01%
- B) 4.17%
- C) 5.63%
- D) 2.85

Answer: C

Diff: 2

Question Status: New

44) You buy a T-bill, which has a par value of \$10,000 for \$9,600 and the T-bill has a one-year maturity. What will be your return?

- A) 2.5%
- B) 4.2%
- C) 4.8%
- D) 6.0%

Answer: B

Explanation: B) $(\$10,000 - \$9,600)/\$9,600 = 4.1\%$

Diff: 1

Question Status: Revised

45) If you buy a \$10,000 par value T-bill with a 180-day maturity date for \$9,750, what will be your annualized return?

- A) 2.5%
- B) 3.06%
- C) 4.5%
- D) 5.2%

Answer: D

Explanation: D) $(\$10,000 - \$9,750)/\$9,750 \times 365/180 = 5.2\%$

Diff: 3

Question Status: Revised

46) If you buy a \$10,000 par value, three-month T-bill priced at \$9,800, what will your return (not annualized) on investment be?

- A) 8.2%
- B) 6.5%
- C) 2.04%
- D) 4.08%

Answer: C

Explanation: C) $(\$10,000 - \$9,800)/\$9,800 = 2.04\%$

Diff: 3

Question Status: Revised

47) All of the following are true of Treasury securities **except** they

- A) are a means by which the U.S. government lends money.
- B) have a maturity range up to 30 years.
- C) have a minimum par value of \$100.
- D) can be bought and sold on the secondary market.

Answer: A

Diff: 2

Question Status: Revised

48) The secondary market for T-bills means that

- A) they cannot be sold before their maturity date with the help of a brokerage firm.
- B) an individual may purchase T-bills that were owned by some other investor rather than from the government.
- C) T-bills are less liquid than CDs.
- D) All of the above.

Answer: B

Diff: 1

Question Status: Previous edition

49) The market where investors can sell T-bills that they own is called the

- A) primary market.
- B) secondary market.
- C) stock market.
- D) T-bill market.

Answer: B

Diff: 1

Question Status: Revised

50) Money market funds (MMF) have all of the following characteristics **except**

- A) money provided by investors is pooled for investment.
- B) unlimited check writing.
- C) investment in securities with short-term maturities.
- D) a low risk of default.

Answer: B

Diff: 1

Question Status: Revised

51) Which of the following is **not** a characteristic of money market funds (MMFs)?

- A) They pool money provided by individuals to invest.
- B) They invest in securities with short-term maturities.
- C) They are high-risk investments.
- D) They allow limited check writing.

Answer: C

Diff: 1

Question Status: Revised

52) Money market funds (MMFs) offer all of the following **except**

- A) they invest in securities with short-term maturity.
- B) they are safe investments with higher rates than T-bills.
- C) they are insured savings.
- D) they provide limited check writing privileges.

Answer: C

Diff: 2

Question Status: Revised

53) An asset management account combines

- A) assets and expenses.
- B) deposit accounts with a brokerage account.
- C) a savings account with a brokerage account.
- D) a savings account with long-term investments.

Answer: B

Diff: 2

Question Status: Previous edition

54) An asset management account that moves any unused balance in the brokerage account into a money market investment at the end of each business day is called a(n)

- A) sweep account.
- B) accelerated management account.
- C) money market fund.
- D) secondary market.

Answer: A

Diff: 2

Question Status: Revised

55) An asset management account does all of the following **except**

- A) combines deposit accounts with a brokerage account that is used to buy or sell stocks.
- B) provides a single consolidated statement showing the ending balance and activity of all accounts.
- C) requires a small initial investment to start.
- D) sweeps any unused balance in the brokerage account into a money market account at the end of the day.

Answer: C

Diff: 2

Question Status: Revised

56) Which of the following affords you access to a "sweep account"?

- A) Asset management account
- B) NOW account
- C) MMDA account
- D) MMF

Answer: A

Diff: 1

Question Status: Previous edition

57) Maurice purchased a \$10,000, 90-day CD that pays 8 percent. How much will Maurice receive when the CD matures? (Round answer to the nearest dollar.)

- A) \$10,800
- B) \$10,197
- C) \$10,200
- D) \$10,267

Answer: B

Explanation: B) $\$10,000 + (\$10,000 \times 0.08 \times 90/365) = \$10,197$

Diff: 1

Question Status: Previous edition

58) A(n) _____ account acts as a traditional checking account except that it pays interest.

Answer: NOW

Diff: 1

Question Status: New

59) Debt securities issued by the U.S. Treasury that are due in one year or less are called _____.

Answer: Treasury bills

Diff: 1

Question Status: New

60) Money market funds invest mainly in _____, which consists of short-term debt securities issued by large corporations.

Answer: commercial paper

Diff: 1

Question Status: New

61) Lucky Louie is considering a NOW account that requires a \$1500 minimum balance and pays .5% interest. What would be the opportunity cost if Louie needs to withdraw the required minimum balance from a savings account paying 2% interest? Compute the opportunity cost for one year.

- A) \$10
- B) \$22.50
- C) \$25
- D) \$35

Answer: B

Explanation: B) $5\% \text{ (savings account rate)} - 2\% \text{ (NOW account rate)} = 3\% \times \$500 \text{ (NOW account minimum)} = \15

Diff: 2

Question Status: New

62) The purchase and sale of Treasury bills before their maturity takes place in the _____ with the assistance of a brokerage firm.

Answer: secondary market

Diff: 1

Question Status: Previous edition

Use the following two columns of items to answer the matching questions below:

- A) a type of deposit that provides checking services and pays interest
- B) a market where existing securities are bought and sold
- C) a short-term loan from the bank to cover a cash deficiency in a checking account
- D) Treasury securities with maturities of one year or less
- E) the risk that the borrower may not repay on a timely basis
- F) an account that combines deposit accounts and a brokerage account
- G) a financial institution's notice that it will not honor a check

63) NOW account

Diff: 1

Question Status: Revised

64) secondary market

Diff: 1

Question Status: Revised

65) asset management account

Diff: 1

Question Status: Revised

66) credit risk

Diff: 1

Question Status: Revised

67) overdraft protection

Diff: 1

Question Status: Revised

68) Treasury bills

Diff: 1

Question Status: Revised

69) stop payment

Diff: 1

Question Status: Revised

Answers: 63) A 64) B 65) F 66) E 67) C 68) D 69) G

6.3 Risk of Money Market Investments

1) Some investments are subject to credit risk. This means that the borrowers may not repay on a timely basis.

Answer: TRUE

Diff: 1

Question Status: Previous edition

2) For relatively safe investments such as savings accounts, CDs, MMDAs, and T-bills, liquidity is rarely a concern.

Answer: FALSE

Diff: 2

Question Status: Previous edition

3) Generally, savings account yields are _____ than yields on certificates of deposit that are exposed to _____ liquidity risk.

A) lower; more

B) higher; less

C) higher; more

D) lower; less

Answer: A

Diff: 1

Question Status: Revised

4) A one-year CD has a _____ return and _____ liquidity than a checking account.

A) lower; lower

B) higher; higher

C) higher; lower

D) lower; higher

Answer: C

Diff: 1

Question Status: Previous edition

5) _____ risk is the risk that an investment could decline as a result of a change in interest rates.

A) Credit

B) Interest rate

C) Liquidity

D) Asset

Answer: B

Diff: 1

Question Status: Previous edition

6) _____ risk is the risk that a borrower may not repay on a timely basis.

- A) Credit
- B) Interest rate
- C) Liquidity
- D) Asset

Answer: A

Diff: 1

Question Status: Previous edition

7) _____ risk is the potential loss from converting an investment into cash.

- A) Credit
- B) Interest rate
- C) Liquidity
- D) Asset

Answer: C

Diff: 1

Question Status: Revised

8) If you purchase a bond that matures in 5 years but you may have to cash it in before that time, you are exposed to

- A) credit risk.
- B) default risk.
- C) interest rate risk.
- D) liquidity risk.

Answer: C

Diff: 1

Question Status: Revised

9) Because of the active secondary market for bonds, one risk that a corporate bond is less likely to expose you to is

- A) liquidity risk.
- B) credit risk.
- C) default risk.
- D) interest rate risk.

Answer: A

Diff: 1

Question Status: Revised

10) On April 1, Alex deposited \$2,000 in an MMDA that pays 3% interest. On July 1, Alex invested \$3,000 in a six-month CD that pays 6% interest. How much total interest will Alex have earned by December 31?

- A) \$90.00
- B) \$45.00
- C) \$135.00
- D) \$240.00

Answer: C

Explanation: C)

$$\$2,000 \times .03 \times 9/12 = \$45$$

$$\$3,000 \times .06 \times 6/12 = \underline{\$90}$$

$$\underline{\$135}$$

Diff: 1

Question Status: Previous edition

11) Describe three types of risk associated with various money market instruments.

Answer: 1. Credit risk-the risk that a borrower may not repay on a timely basis.

2. Interest rate risk-the risk that the value of an investment could decline as a result of a change in interest rates.

3. Liquidity risk-the potential loss that could occur as a result of converting an investment into cash.

Diff: 2

Question Status: Previous edition

6.4 Risk Management

1) Generally, short-term debt securities issued by large corporations, also known as commercial paper, offer a slightly higher return than Treasury bills.

Answer: TRUE

Diff: 2

Question Status: Revised

2) Since the potential for default is very low for some types of money market securities, it's not necessary to assess the risk before investing your money in one.

Answer: FALSE

Diff: 2

Question Status: Previous edition

3) Risk management of money market investments involves assessing the risk exhibited by the investment.

Answer: TRUE

Diff: 2

Question Status: Previous edition

4) Risk management of money market investments involves all of the following **except**

- A) credit risk.
- B) interest rate risk.
- C) potential for default when backed by the federal government.
- D) liquidity risk.

Answer: C

Diff: 2

Question Status: Previous edition

5) All of the following money market securities are insulated from credit risk **except**

- A) Treasury securities.
- B) bank deposits.
- C) commercial paper.
- D) CDs.

Answer: C

Diff: 2

Question Status: Revised

6) Which of the following securities is likely to have the most credit risk?

- A) Commercial paper
- B) A high yield (junk) bond
- C) Collateralized mortgage bond consisting of 50% sub-prime mortgages
- D) There is not enough information to decide between A, B and C.

Answer: D

Diff: 2

Question Status: New

6.5 How Money Management Fits Within Your Financial Plan

1) Describe the type of checking account you have or plan to have. List the advantages and disadvantages of your choice.

Answer: Advantages can include a debit card, mobile applications, no fees, convenience, good service, and free checks among others. Disadvantages may include fees, no interest, no ATM or debit card, minimum locations, and other possibilities.

Diff: 1

Question Status: Revised

2) Describe your short-term investments and how they affect your personal budget, income statement, and balance sheet in terms of return and liquidity.

Answer: This is a subjective answer. A checking account, NOW account, MMDA, savings account, CD, T-bills, and MMF are all investments. The higher the return, the greater the wealth. However, liquidity is also a factor that should be balanced with return.

Diff: 1

Question Status: Previous edition