MarketWatch

More than half of college students fail this 6-question money quiz — would you?

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College students face a pile of student loans and credit-card debt, but many don't understand financial basics

Fewer than 1% of college students correctly answered all six questions on this quiz.

By CATEY HILL
EDITOR

Even well-educated people often don't have a lot of money know-how.

A recent survey of more than 25,000 college students from financial firm AIG **AIG, -0.60%** and education training company EVERFI revealed that students struggle, a lot, with even basic financial literacy about things like student loans, credit cards and more.

Indeed, when asked six personal finance questions, more than one in 10 got none of them right, and another 20% got just one right. Still, more than half got just two or fewer questions correct — even missing simple questions about net worth and savings.

Fewer than 1% got them all right.

So just how hard was this quiz? Here are the six questions, followed by the answers.

1. If a late payment is sent to a collections agency, how long will it remain on your credit history even if you have paid it off?
A) Less than a year
B) 1 to 3 years
C) 4 to 5 years
D) 6 to 7 years

2. What is the formula for calculating your net worth?
A) Assets plus liabilities
B) Liabilities minus assets
C) Assets minus liabilities
D) Assets divided by liabilities

3. Imagine that the interest rate on your savings account was 1% per year and inflation was 2% per year. After one year would your ability to buy something with the money in this account be:
A) More than today
B) Exactly the same
C) Less than today

4. Which of the following about federal student loans is not true?
A) For certain federal-loan programs, the interest on your loans is paid for by the federal government while you are in school and during grace periods
B) Your parents must sign a promissory note before loan funds are

distributed
C) Entrance loan counseling for all first-time borrowers is required
D) You will have to pay back your student loans even if you do not complete your degree or find employment after college

5. If you have too many credit cards, what should you do?
A) Close as many as possible
B) Request a higher credit limit
C) Be cautious about closing cards
D) Close cards with the lowest balances

6. As a general rule, how many months' expenses do financial planners recommend that you set aside in an emergency fund?
A) 1 to 3 months' expenses
B) 3 to 6 months' expenses
C) 6 to 12 months' expenses
D) 12 to 15 months' expenses

Answers: 1-D; 2-C; 3-C; 4-B; 5-C; 6-C

Of course, some of these questions might be debatable. Some financial planners recommend 3-6 months of expenses in an emergency fund. **Wells Fargo** **WFC, -0.69%** advises that "while the size of your emergency fund will vary depending on your lifestyle, monthly costs, income, and dependents, the rule of thumb is to put away at least three to six months' worth of expenses." And a better answer for question No. 5 on having too many credit cards might simply be to aggressively pay them off.

One possible reason why so few college students aced this quiz: **Only five states currently require high-school students to take a personal-finance class, as MarketWatch explored this year.**

Whatever the reason that may be why 47% of college students say they don't feel prepared to manage their money. "Many of today's college students are not ready to take charge of their financial lives, because they do not know how or even what to consider," Ray Martinez, co-founder and president of EVERFI, concluded of the findings.

This, of course, is a major issue because of the financial realities facing college students. Sallie **SLM, -0.16%** data released earlier this year revealed that 83% of college grads have a credit card, though only about six in 10 say they pay the balance on time and in full each month. Plus, nearly seven in 10 college students take out student loans, and they end up owing an average of $30,000.

https://www.marketwatch.com/story/more-than-half-of-college-students-fail-this-6-question-money-quiz-would-you-2019-06-05?ns=prod/accounts-mw&ns=prod/accounts-mw