

Name: _____

Date: _____

Chapter 7 Literacy

Part A

Use the terms to answer or complete each sentence. Terms may be used more than once.

accelerated bi-weekly payment
accelerated weekly payment
amortization
amortization period
amortization table
annuities
annuity
annuity due

appreciation rate
bi-weekly payment
consolidation loan
depreciation rate
financial advisors
fixed rate
insurance brokers
mortgage
mortgage broker
ordinary annuity

pre-approved mortgage
RESP
registered retirement savings plan
retirement planners
RRSP
semi-monthly payment term
weekly payment
variable rate

1. The rate at which the value of an item decreases over time. _____
2. An annuity that is paid at the end of the time cycle. _____
3. An investment designed to accumulate wealth and defer taxes. _____
4. A series of equal payments or deposits paid at regular intervals over a fixed period of time.

5. RRSP stands for _____.
6. A _____ mortgage has an interest rate that varies over the term according to the interest rates in the marketplace.
7. A single loan obtained to pay off multiple loans. _____
8. A payment that is made every two weeks. _____
9. What type of annuity is a loan payment? _____
10. The name given to an annuity that is paid at the beginning of the time cycle. _____
11. A loan secured by the value of a real estate property. _____
12. A _____ mortgage does not change with the interest rates in the marketplace.



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13. The gradual elimination of a debt or liability. _____
14. A payment that is made every week. _____
15. A table that shows the breakdown of the principal, payments, interest paid, and the unpaid loan balances over a certain timeframe. _____
16. A payment where one quarter of the monthly payment is paid each week. _____
17. Mortgages, car payments, and insurance investments are examples of _____.
18. Someone who researches mortgages available from different financial institutions on behalf of individuals or businesses. _____
19. A savings plan for a child's future post-secondary education. _____
20. The rate at which the value of an item increases over time. _____
21. Three individuals who deal with ordinary simple annuities in their work. _____,
_____, _____
22. The maximum amount that can be borrowed from a lending institution to purchase a house.

23. The length of the mortgage agreement. _____
24. A payment where half the monthly payment is paid twice a month. _____
25. The time frame for which the calculation of a mortgage payment is determined. _____
26. A payment where half the monthly payment is made every two weeks. _____

Part B

Determine if each statement is true or false. If false, explain why.

1. In an accelerated weekly payment plan, the equivalent of one extra monthly payment is made each year. _____
2. Semi-monthly payments are usually paid on the 1st and the 15th of the month.



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3. In an accelerated bi-weekly payment plan, the equivalent of one extra monthly payment is made each year. _____
4. A consolidation loan is usually negotiated at the same interest rate as the original loans.

5. A consolidation loan results in a single more manageable payment. _____
6. A pre-approved mortgage is used to determine the maximum house price a buyer can afford.

7. Canadian mortgages are simple annuities. _____
8. In Canadian mortgages, the number of payments per year does not equal the number of compounding periods per year. _____
9. The amortization period and the term of a mortgage are different. _____
10. The amortization period is the same length as the mortgage agreement.

11. RESP earnings are not taxed for the parents who contribute the money.

12. RESP earnings are taxed for the child who uses the money. _____
13. The government will contribute the same amount to an RESP as the parents do.

14. The government will contribute an unlimited amount to an RESP.

15. RESPs are only for children under 19 years of age. _____
16. Income contributed to an RRSP is not subject to income tax until it is withdrawn.

17. Income contributed to an RRSP is usually withdrawn before retirement.



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Chapter 7 Literacy Answers

Part A

1. depreciation rate
2. ordinary annuity
3. RRSP
4. annuity
5. registered retirement savings plan
6. variable rate
7. consolidation loan
8. bi-weekly payment
9. ordinary annuity
10. annuity due
11. mortgage
12. fixed rate
13. amortization
14. weekly payment
15. amortization table
16. accelerated weekly payment
17. annuities
18. mortgage broker
19. RESP
20. appreciation rate
21. financial advisors, insurance brokers, retirement planners
22. pre-approved mortgage
23. term
24. semi-monthly payment
25. amortization period
26. accelerated bi-weekly payment

Part B

1. True
2. False. Payments are usually made on the 15th and the 30th of the month.
3. True
4. False. Consolidation loans are negotiated at a lower interest rate.
5. True
6. True
7. False. Canadian mortgages are not simple annuities because the number of payments per year does not equal the number of compounding periods per year.
8. True
9. True
10. False. The amortization period is a different length than the mortgage agreement.
11. True
12. True
13. False. The government contribution is a percent of the parents' contribution, up to a maximum amount.
14. False. There is a maximum life-time amount the government will contribute.
15. False. RESPs are only for children under 18 years of age. Someone 18 years and over is an adult.
16. True
17. False. Income contributed to an RRSP is usually withdrawn after retirement.

