

Name _____

Unlocking the Secrets of Certificates of Deposit (CDs)

Multiple Choice Questions

1. What is the primary advantage of Certificates of Deposit (CDs)?
 - a) Low-risk investments
 - b) Higher interest rates
 - c) Easy access to funds
 - d) No market risk

2. Why are CDs considered safe investments?
 - a) They offer the opportunity for high returns.
 - b) They are insured by the FDIC or NCUA.
 - c) They have flexible withdrawal options.
 - d) They provide fixed interest rates.

3. What is a potential drawback of CDs regarding interest rates?
 - a) CDs have no interest rate.
 - b) CDs offer variable interest rates.
 - c) CDs may miss out on higher market interest rates.
 - d) CDs have unlimited access to funds.

4. What is the main advantage of having a fixed term for a CD?
 - a) It allows you to withdraw funds anytime.
 - b) It helps you budget and plan.
 - c) It offers higher interest rates.
 - d) It involves market risk.

5. Why should you have an emergency fund in a liquid account before investing in a CD?
 - a) CDs offer higher interest rates.
 - b) CDs provide quick access to funds.
 - c) CDs have no withdrawal penalties.
 - d) CDs are insured by the NCUA.

