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NEWS RELEASE
FOR IMMEDIATE RELEASE – May 8, 2012
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Vermont High School Teams Challenged on Personal Finance Knowledge

MONTPELIER, Vt.—It's not every high school student that can name the head of the Federal Reserve System, quickly calculate someone's credit limit, or identify the difference between several home mortgages. But for the high school students who competed in the recent Vermont Reserve Cup Challenge, these were questions they handily answered in 10 seconds or less!

Seven Vermont high schools answered the challenge to compete in a May 4 academic competition sponsored by the State Treasurer's Office that tests their knowledge of personal finance and economics. Now in its fourth year, the challenge is run in partnership with the Federal Reserve Bank of Boston. Using a game-show-style format, teams progress through rounds of questioning that test their grasp of these subjects. Upon receiving a question, a student must answer within 10 seconds or less. Emerging as the 2012 winner was South Burlington High School.

"The competition is meant to be an incentive for schools to teach and promote personal finance to their students," said State Treasurer Beth Pearce. "Student knowledge in these areas is reinforced through the tournament and academic skills are rewarded. We want students to not only understand this material, but to not feel intimidated by it."

Placing second in the tournament was a team from the Southwest Vermont Career Development Center in Bennington. Third place was won by North Country Career Center in Newport. A team from Green Mountain Technology and Career Center in Hyde Park placed fourth. Other teams competing were Bellows Free Academy in Fairfax, Mt. Mansfield Union High School in Jericho and Vergennes Union High School.

"The Vermont Reserve Cup is a great way to challenge students to learn and apply economic and personal finance concepts," said Scott Guild, Director of Economic Education for the Federal Reserve Bank of Boston. "Having a basic grasp of these subjects will help students understand the difficult financial choices we are all currently facing."

South Burlington High School has been the tournament champion for the past three years. In addition to individual trophies, the students also received \$250 college savings accounts from the Vermont Student Assistance Corporation, and the right to display the large gold traveling cup for one year. The team was coached by math teacher Eric Stone. Student team members were: Sam Bellavance, Noah Bugbee, Theophila Lee and Kevin Wang.

Students competing for the Southwest Vermont Career Development Center were Nicholas Harris, Matheson LaFlamme, Jacob Sausville, Alex Romac, and Cayla Gardner. The team was coached by business teacher Neal Hogan.

The North Country Career Center team was coached by business teacher Nancy McDermott. Student team members were Aaron Brown, Nicholas Fuller, Carlie Diette and Rhiannon Rosamilia.

Student team members for Green Mountain Technology and Career Center were Kylie Ferland, Matthew Hoadley, Erika Tallman, Jon Merchant and Andrew Davis. The team was coached by business teacher Lisa Durocher.

Math teacher John Tague coached the team from Bellows Free Academy. Student team members were Evan Bruning, Austin Carpenter, Leah Lavigne, Brianna Hamilton and Shivram Singh.

Mt. Mansfield Union's teams was coached by math teacher Marilyn Marshall. Team members were Matt Estes, Andrew Ridgely, Dillan Leach, Johannes Toensing and Jeff Estes.

The Vergennes Union High School team was coached by math teacher Teresa Smith. Student team members were Chase Atkins, Hanna Mailloux, Megan Paquin and Laine Gingras.

The event is underwritten by TD Bank. Members of the Vermont Jump\$tart Coalition also support the competition and volunteer at the event. For more information on the challenge, go to www.MoneyEd.Vermont.gov.

Think You Could Meet the Reserve Cup Challenge?

Below are five questions from the competition. Test your knowledge of economics and personal finance.

(1) Which of the following legal processes provides a payment plan to pay off debts?

A. Cash advance requirements B. Fair pay agreements C. Chapter 13 bankruptcy D. Cosigner rules

(2) A type of mortgage that allow the interest rate to change is a(n):

A. Fixed rate mortgage B. Adjustable rate mortgage C. Underwater mortgage D. Collateral mortgage

(3) The inflation rate is defined as the:

A. Amount of trade imports minus overall cost B. Change in consumer spending over time C. The rate at which the prices for goods and services rise and purchasing power fall D. Price level minus the number of total goods produced

(4) What is the best way to build a new credit history or rebuild a troubled credit history?

A. Open new credit accounts every six months B. Hire a credit repair agent to intervene C. Set a pattern of paying bills on time D. Get a better paying job

(5) Which of the following is not a major tool of U.S. monetary policy?

A. The central bank required reserve ratio B. Personal income tax C. The discount rate from the Federal Reserve Bank for eligible depository institutions D. The buying and selling of government securities in the open market

Answers:

(1) C. Chapter 13 bankruptcy. Chapter 13 is a section of the bankruptcy code which helps qualified individuals or small proprietary business owners, who desire to repay their creditors, but are in financial difficulty. It is often referred to as a "mini Chapter 11" because you usually repay something to your creditors and you retain your property and make payments under a plan.

(2) B. Adjustable rate mortgage. Most ARMs have an initial fixed-rate period during which the borrower's rate doesn't change, followed by a much longer period during which the rate changes at preset intervals.

(3) C. The rate at which the prices for goods and services rise and purchasing power falls. The value of the dollar is observed in terms of purchasing power. When inflation goes up, your dollar can't buy the same goods it could beforehand. For example, if the inflation rate is 2 percent annually, then theoretically a \$1 pack of gum will cost \$1.02 in a year.

(4) C. Set a pattern of paying bills on time.

(5) B. Personal income tax. The Fed can't control inflation or influence output and employment directly; instead, it affects them indirectly, mainly by raising or lowering a short-term interest rate called the "federal funds" rate. Most often, it does this through open market operations in the market for bank reserves, known as the federal funds market.