Cash Course | Grades 6+

Inflation & Your Money | Worksheet

Matching

Match the definition in Column A with the term in Column B.

Column A	Column B
__________ Price increase from growing money supply.	a. Inflation
__________ Government-issued currency not backed by commodities.	b. Purchasing Power
__________ Amount of goods/services money can buy.	c. Monetary Inflation
__________ Price rise due to external, temporary events.	d. Non-Monetary Infl.
__________ The general rise in prices, reducing money's value.	e. Fiat Money

Multiple Choice

1. **What is a primary cause of monetary inflation?**
   a. A sudden shortage of a key commodity like oil.
   b. An increase in the money supply by the government.
   c. Technological advancements improving production efficiency.
   d. Seasonal changes affecting agricultural output.
2. **How does inflation typically affect the purchasing power of money over time?**
   a. It increases the amount of goods and services that can be bought.
   b. It has no effect on the amount of goods and services that can be bought.
   c. It decreases the amount of goods and services that can be bought.
   d. It stabilizes the amount of goods and services that can be bought.
3. **Which of the following is an example of non-monetary inflation?**
   a. A hurricane disrupting fuel production, causing gas prices to rise temporarily.
   b. The government increasing the money supply to fund a project.
   c. The central bank lowering interest rates to stimulate the economy.
   d. A new technology that reduces the cost of manufacturing goods.
4. **Which strategy is most effective in protecting investments from the negative effects of inflation?**
   a. Keeping all savings in a standard savings account.
   b. Holding cash to quickly access funds when prices rise.
   c. Investing exclusively in short-term government bonds.
   d. Investing in assets that typically outpace inflation, such as real estate or stocks.

Application

Your birthday is coming up, and your grandparents have offered to buy you a gift worth $100. You're considering asking for either the latest pair of designer sneakers or a contribution to a savings account or investment. How can you decide which option will be more beneficial in the long run? Consider the value of each option over time and explain your choice.

Scan to watch episode:

Inflation & Your Money | Answer Key

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b. Amount of goods/services money can buy.	c. Monetary Inflation
d. Price rise due to external, temporary events.	d. Non-Monetary Infl.
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Application

Responses will vary. Check for understanding and look for these key points:

- The student should recognize that the sneakers will likely decrease in value over time, while the savings or investment has the potential to grow.
- The student should connect the choice to their future financial goals, explaining how a savings or investment contributes to those goals.
- The student should identify the opportunity cost associated with each choice, understanding that choosing the sneakers means forgoing potential future financial benefits.