Personal finance: making ends meet

VOCABULARY PRACTICE
UPPER-INTERMEDIATE | B2

Name: _____ Date: _____

1 Match each precise term with its definition.

1 disposable income ____	**a** income remaining after taxes and essential deductions
2 discretionary spending ____	**b** spending on non-essential goods or services
3 debt-to-income ratio ____	**c** a measure comparing monthly debt payments to monthly income
4 compound interest ____	**d** interest calculated on both the principal and previously earned interest
5 credit score ____	**e** a numerical rating reflecting a person's creditworthiness
6 means-tested benefit ____	**f** government support given only to those below a certain income threshold
7 financial resilience ____	**g** the capacity to absorb financial shocks without severe hardship
8 outstanding balance ____	**h** the amount still owed on a debt or account
9 fixed expense ____	**i** a regular cost that stays the same each period, such as rent
10 variable expense ____	**j** a cost that changes from month to month, such as groceries

2 Choose the word with the most suitable connotation.

1 For income left after taxes and deductions: disposable income / gross income.

2 For spending on non-essentials: discretionary spending / essential spending.

3 For a measure comparing debt payments to income: debt-to-income ratio / total debt.

4 For interest calculated on interest already earned: compound interest / simple interest.

5 For a numerical rating of creditworthiness: credit score / bank balance.

6 For benefits given only below an income threshold: means-tested / universal.

7 For the capacity to absorb financial shocks: financial resilience / financial fragility.

8 For a cost that stays the same each period: a fixed expense / a variable expense.

3 Complete the personal finance collocations with one word.

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1 _____ income (= remaining after essential deductions)
2 _____ spending (= on non-essential goods)
3 debt-to-_____ ratio (= comparing debt to earnings)
4 _____ interest (= calculated on interest already earned)
5 build a _____ score (= a creditworthiness rating)
6 a _____-tested benefit (= given only below a threshold)
7 financial _____ (= capacity to absorb shocks)
8 an outstanding _____ (= amount still owed)

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4 Complete the case notes with words and phrases from the box.

compound interest | credit score | debt-to-income ratio | discretionary spending | disposable income | financial resilience | fixed expense | means-tested benefit | outstanding balance | variable expense

Case A: Advisers recommend tracking 1 _____ separately from 2 _____ items like rent, to see where cuts are realistically possible.
Case B: A high 3 _____ made it difficult for the family to qualify for further borrowing.
Case C: Failing to repay the 4 _____ quickly meant 5 _____ steadily increased the total owed.
Case D: A strong 6 _____ helped her secure a lower interest rate on her loan.
Case E: The family applied for a 7 _____ after their 8 _____ fell sharply.
Case F: Building an emergency fund significantly improved their 9 _____, allowing them to absorb an unexpected 10 _____ without falling into debt.

5 Read the text and answer the questions briefly.

The hidden cost of financial stress

Researchers studying household economics increasingly document how financial stress affects decision-making, finding that individuals managing tight budgets often make less optimal financial choices, not because of poor judgement but because scarcity itself narrows cognitive bandwidth available for careful planning. This creates a troubling cycle: a low disposable income increases financial stress, which in turn makes managing a debt-to-income ratio or building financial resilience considerably harder, even when a person's underlying financial knowledge is sound. Some economists argue that policy interventions reducing everyday financial stress, such as simplifying benefit applications, may do more to improve financial decision-making than financial literacy education alone.

1 What do researchers studying household economics increasingly document? _____

2 Why do people managing tight budgets often make less optimal choices? _____

3 What troubling cycle does this create? _____

4 What does a low disposable income increase? _____

5 What can this make harder, even with sound financial knowledge? _____

6 What do some economists argue may do more than financial literacy education alone? _____

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6 **Rewrite each sentence using the word in capitals. Do not change the meaning.**

1 The income left after essential costs was very low. DISPOSABLE INCOME _____

2 The interest was calculated on interest already earned. COMPOUND INTEREST _____

3 Her creditworthiness rating improved steadily. CREDIT SCORE _____

4 They could absorb the unexpected cost without serious hardship. FINANCIAL RESILIENCE _____

OVER TO YOU

Write a 120-150 word account analysing how financial stress can affect decision-making, distinguishing observation from policy recommendation.

[ ] Use at least twelve target expressions. [ ] Control connotation carefully. [ ] Avoid unsupported assumptions.

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ANSWER KEY

1 Precise terms

1 a 2 b 3 c 4 d 5 e 6 f 7 g 8 h 9 i 10 j

2 Connotation

1 disposable income 2 discretionary spending 3 debt-to-income ratio 4 compound interest 5 credit score 6 means-tested 7 financial resilience 8 a fixed expense

3 Collocations

1 disposable 2 discretionary 3 income 4 compound 5 credit 6 means 7 resilience 8 balance

4 Case notes

1 discretionary spending 2 fixed expense 3 debt-to-income ratio 4 outstanding balance 5 compound interest
6 credit score 7 means-tested benefit 8 disposable income 9 financial resilience 10 variable expense

5 Reading - suggested answers

1 How financial stress affects decision-making.
2 Because scarcity itself narrows cognitive bandwidth available for careful planning, not because of poor judgement.
3 A low disposable income increases financial stress, which makes managing debt or building resilience harder.
4 Financial stress.
5 Managing a debt-to-income ratio or building financial resilience.
6 Policy interventions reducing everyday financial stress, such as simplifying benefit applications.

6 Rewriting - possible answers

1 Disposable income was very low. 2 Compound interest was applied.
3 Her credit score improved. 4 They showed financial resilience.

Over to you

Answers will vary. Check lexical precision, appropriate connotation and separation of fact from inference.