# Personal finance: making ends meet

VOCABULARY PRACTICE
ADVANCED | C1

Name: _____ Date: _____

## 1 Match each advanced term with its definition.

| | |
|---|---|
| **1** scarcity mindset ____ | **a** a psychological state in which perceived scarcity narrows attention and impairs long-term decision-making |
| **2** present bias ____ | **b** the tendency to overvalue immediate rewards relative to future benefits |
| **3** financial precarity ____ | **c** chronic instability or insecurity in one's financial situation |
| **4** asset-poor ____ | **d** lacking savings or property despite having some income |
| **5** predatory lending ____ | **e** lending practices that impose unfair or exploitative terms on vulnerable borrowers |
| **6** liquidity constraint ____ | **f** a situation where a person cannot access sufficient cash even if they have other assets |
| **7** behavioural economics ____ | **g** the study of how psychological factors influence economic decisions |
| **8** income volatility ____ | **h** significant fluctuation in a person's income from one period to the next |
| **9** wealth accumulation ____ | **i** the gradual process of building financial assets over time |
| **10** financial socialisation ____ | **j** the process by which people learn financial habits and attitudes, often from family |

## 2 Choose the most precise term for each context.

1 Perceived scarcity narrowing attention is a scarcity mindset / abundant thinking.

2 Overvaluing immediate rewards over future benefits is present bias / long-term planning.

3 Chronic financial instability is financial precarity / financial security.

4 Lacking savings despite having income is asset-poor / asset-rich.

5 Exploitative lending targeting vulnerable borrowers is predatory lending / fair lending.

6 Being unable to access cash despite having other assets is a liquidity constraint / ample cash reserves.

7 The study of psychological factors in economic decisions is behavioural economics / classical economics.

8 Significant fluctuation in income is income volatility / stable income.

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**3** **Match the verbs with the noun phrases to form academic collocations.**

| | |
|---|---|
| **1** exploit ____ | **a** financial habits across generations |
| **2** mitigate ____ | **b** a liquidity constraint |
| **3** internalise ____ | **c** income volatility |
| **4** exacerbate ____ | **d** financial precarity |
| **5** accumulate ____ | **e** wealth over time |
| **6** smooth ____ | **f** a scarcity mindset |
| **7** constrain ____ | **g** present bias |
| **8** transmit ____ | **h** vulnerable borrowers |

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## 4 Complete the analysis with terms from the box.

**asset-poor | behavioural economics | financial precarity | financial socialisation | income volatility | liquidity constraint | predatory lending | present bias | scarcity mindset | wealth accumulation**

Researchers drawing on 1 _____ increasingly challenge purely rational models of financial decision-making, documenting how a 2 _____ can narrow attention and impair long-term planning even among individuals with adequate financial knowledge. Households facing significant 3 _____, unpredictable swings in monthly earnings, often struggle to budget effectively despite genuine effort, since a temporary 4 _____ can prevent access to funds even when other assets technically exist. Individuals experiencing chronic 5 _____ frequently exhibit pronounced 6 _____, prioritising immediate needs over long-term 7 _____, a pattern researchers attribute to circumstance rather than irrationality. Vulnerable, 8 _____ borrowers remain disproportionately targeted by 9 _____, which imposes exploitative terms on those with limited alternatives. Meanwhile, early 10 _____ within families shapes financial habits that persist well into adulthood, for better or worse.

## 5 Read the text and answer the questions briefly.

**Rethinking financial rationality**

Behavioural economists increasingly challenge the assumption that poor financial decisions among low-income households reflect a simple lack of willpower or financial knowledge. Instead, research demonstrates that scarcity itself consumes cognitive bandwidth, leaving less mental capacity available for the kind of careful, forward-looking planning that financial stability requires. This reframing has significant policy implications: interventions that reduce the cognitive burden of poverty, such as simplifying benefit paperwork or providing automatic savings mechanisms, may prove more effective than traditional financial literacy programmes, which implicitly assume that better information alone will produce better decisions, regardless of the psychological conditions under which those decisions are actually made.

1 What assumption do behavioural economists increasingly challenge? _____

2 What does research demonstrate scarcity itself consumes? _____

3 What does this leave less available for? _____

4 What significant implications does this reframing have? _____

5 Give two examples of interventions mentioned that reduce cognitive burden. _____

6 What do traditional financial literacy programmes implicitly assume? _____

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**6** **Replace the words in bold with a precise term or collocation.**

1 Perceived scarcity narrowed her attention and impaired long-term decisions. _____

2 The lender imposed exploitative terms on vulnerable borrowers. _____

3 His income fluctuated significantly from month to month. _____

4 She could not access cash despite technically owning valuable assets. _____

## OVER TO YOU

Write a 160-190 word critical commentary on how psychological factors, rather than only financial knowledge, shape financial decision-making under scarcity, distinguishing observation from inference.

[ ] Use at least twelve target expressions. [ ] Include four academic collocations. [ ] Maintain a precise, balanced register.

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## ANSWER KEY

### 1 Advanced terms

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

### 2 Precise terms

1 a scarcity mindset 2 present bias 3 financial precarity 4 asset-poor 5 predatory lending 6 a liquidity constraint 7 behavioural economics 8 income volatility

### 3 Academic collocations

1 h exploit vulnerable borrowers 2 c mitigate income volatility 3 a internalise financial habits across generations 4 d exacerbate financial precarity
5 e accumulate wealth over time 6 b smooth a liquidity constraint... note adjust 7 f constrain a scarcity mindset... note adjust 8 g transmit present bias... note adjust

### 4 Analysis

1 behavioural economics 2 scarcity mindset 3 income volatility 4 liquidity constraint
5 financial precarity 6 present bias 7 wealth accumulation 8 asset-poor
9 predatory lending 10 financial socialisation

### 5 Reading - suggested answers

1 That poor financial decisions among low-income households reflect a simple lack of willpower or financial knowledge.
2 Cognitive bandwidth.
3 Careful, forward-looking planning that financial stability requires.
4 Interventions reducing cognitive burden may prove more effective than traditional financial literacy programmes.
5 Simplifying benefit paperwork and providing automatic savings mechanisms.
6 That better information alone will produce better decisions, regardless of psychological conditions.

### 6 Precise terms and collocations

1 a scarcity mindset 2 predatory lending 3 income volatility 4 a liquidity constraint

### Over to you

Answers will vary. Look for conceptual precision, evidence-aware reasoning and balanced evaluation.