HIGH SCHOOL

ALABAMA PERSONAL FINANCE



10



FULL-LENGTH PRACTICE TESTS

500 Original Questions

with Step-by-Step Explanations and a Quick Review

Reza Nazari

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Reference Sheet

Figures and formulas you may use on every test

You are not expected to memorize any of these. Every question that needs one of them can be answered with the figures below. Unless a question says otherwise, use 6.2% for Social Security and 1.45% for Medicare, assume no state or local income-tax withholding, and round money to the nearest cent.

Paychecks and taxes

- Social Security 6.2% of wages, up to $184,500 in 2026. Medicare 1.45% of all wages, no cap. The two together are 7.65%.
- Self-employment tax (simplified rule for this book): 15.3%, charged on 92.35% of net earnings. At high earnings the Social Security part stops at the wage base.
- Overtime for questions in this book: unless a question states otherwise, assume overtime is paid at 1.5 times the regular rate for hours over 40 in one workweek.
- Full-time year: $40 \times 52 = 2{,}080$ hours. Paychecks a year: weekly 52, biweekly 26, semimonthly 24, monthly 12.
- 2026 federal income tax, single filer: standard deduction $16,100; 10% to $12,400 of taxable income, 12% to $50,400, 22% to $105,700.

Saving, borrowing, and budgeting

- Deposit insurance: generally $250,000 per depositor, per insured institution, per ownership category.
- Compound interest $A = P(1 + r/n)^{nt}$. Rule of 72: years to double $\approx 72 \div$ rate.
- Loan payment $= P \times i \div (1 - (1 + i)^{-n})$, where i is the annual rate divided by 12 and n is the number of months.
- Credit card minimum, as stated on the statements in this book: the greater of $35 or (one month's interest + 1% of the balance). Monthly interest rate = APR $\div$ 12 (a simplification: real cards usually apply a daily rate to the average daily balance).
- 50/30/20: 50% of net pay to needs, 30% to wants, 20% to saving.
- Federal student loan rates, 2026–27: undergraduate 6.52%; graduate unsubsidized 8.07%; PLUS 9.07%.

Retirement and health

- Health claims: the deductible is paid first, then coinsurance applies to what is left, until the out-of-pocket maximum is reached.
- 2026 contribution limits, under age 50: 401(k) $24,500; IRA $7,500; HSA $4,400 self-only and $8,750 family; health FSA $3,400.
- 2026 high-deductible health plan minimums: deductible $1,700 self-only, $3,400 family; out-of-pocket maximum $8,500 and $17,000.

Alabama facts (2026)

- State income tax: graduated, 2% to 5%.
- Minimum wage: $7.25 an hour (the federal rate).
- Statewide sales tax 4%; food is taxed at a 2% state rate since September 1, 2025 (local taxes can add more).
- Minimum auto liability 25/50/25.
- State 529 college savings plan: CollegeCounts 529 Fund.
- A state student-aid program: Alabama Student Grant Program.

Figures marked with a year are dated. They are correct for 2026 and are printed here so that no question depends on recalling them.

Personal Finance Quick Review

The terms, formulas, and traps these tests keep coming back to

How to use this review. Read it once before Practice Test 1, then use it after each test: for every question you missed, find its card, reread it, and check the **Watch out** line—most missed questions fall into one of those traps. The six sections follow the core topics of personal finance, and together they cover every area on the Alabama tests (the areas are listed on page 2). A **Numbers and Formulas** card closes the review.

1 Earning Income

Pay stubs, taxes, benefits, and careers

1.1 Reading a pay stub

Gross pay	everything earned before any deduction
Deductions	taxes, benefit premiums, retirement contributions
Net pay	what actually reaches the bank account
YTD	the running total from January through this check

gross pay → pre-tax deductions → taxes withheld → after-tax deductions → net pay

Pay periods per year: weekly 52, biweekly 26, semimonthly 24, monthly 12.

Watch out: biweekly (every two weeks, 26 checks) is not semimonthly (twice a month, 24 checks).

1.2 Hourly pay and overtime

Overtime in this book: unless a question says otherwise, hours over 40 in one workweek are paid at 1.5 times the regular rate.

Example: $18/hour, 46 hours → $40 \times 18 = \$720$; $6 \times 27 = \$162$; gross $882.

Annual from hourly: rate × 2,080 hours for a full-time year.

Watch out: only the hours *over* 40 earn the overtime rate, not the whole week.

1.3 Payroll taxes and income tax

- **FICA:** Social Security 6.2% (up to the annual wage cap) plus Medicare 1.45%; together 7.65%. Self-employed workers pay 15.3% on 92.35% of net earnings (the simplified rule this book uses; at high earnings the Social Security part stops at the wage cap).
- **W-4:** tells the employer how much federal income tax to withhold. **W-2:** the employer's year-end summary of wages and withholding. **1040:** the individual tax return.
- **Taxable income** = income − deductions (for most filers, the standard deduction).
- **Marginal brackets:** each rate applies only to the income inside its bracket.

Watch out: moving into a higher bracket does not raise the tax on all your income—only on the dollars above the line.

1.4 Total compensation and careers

Compare job offers on **salary − your yearly premiums + employer match and other benefits**, not salary alone.

Education and training: weigh the full cost (tuition, fees, living costs, interest on loans) against the added earnings. Grants and scholarships are not repaid; loans are.

Watch out: a higher salary can be worth less once a large health premium and a missing retirement match are counted.

2 Spending
Budgets, consumer choices, cars, and housing

2.1 Budgets

Budget = a plan for net (take-home) pay. **Needs** (rent, utilities, groceries, transportation, insurance), **wants**, and **saving**.

50/30/20: 50% needs, 30% wants, 20% saving, each of net pay.

Fixed expenses stay the same each month; **variable** expenses change.

Sinking fund: set aside a bill's cost month by month: a \$588 six-month premium $\rightarrow \$588 \div 6 = \$98$/month.

Watch out: build a budget from net pay, not gross pay.

2.2 Smart buying

- **Unit price** = price ÷ quantity; compare in the same unit.
- **Sales:** a 20% discount then 10% off the sale price is 28% off, not 30%.
- **Sales tax** applies to the price after discounts.
- **Opportunity cost:** the value of the next-best choice you give up.

Watch out: two discounts in a row do not simply add.

2.3 Buying or leasing a car

Total cost of a loan = down payment + (monthly payment × months).

Total cost of a lease = due at signing + (payment × months) + end-of-lease fees; at the end you own nothing.

Ownership costs beyond the payment: insurance, fuel, maintenance, registration.

Watch out: the lower monthly payment is not the lower total cost; a longer loan usually costs more interest.

2.4 Housing and living on your own

- **Move-in cost** for a rental: first month's rent + security deposit (plus any fees).
- A common guideline keeps rent near or below about 30% of gross income.
- **Renters insurance** covers your belongings; the landlord's policy covers the building.
- **Buying** adds a down payment, closing costs, property tax, insurance, and repairs to the mortgage payment.

Watch out: a security deposit is refundable if the unit is left in good condition; it is not rent.

2.5 Consumer protection and scams

Warning signs: pressure to act now, payment by gift card or wire, requests for passwords or account numbers, and offers that sound too good to be true. Read a contract before signing; know the return policy and warranty.

Watch out: a legitimate bank or agency will not ask you to "verify" your password by text or email.

3 Saving
Accounts, fees, interest, and goals

3.1 Accounts, fees, and protection

Checking	everyday payments; debit card, transfers
Savings	earns interest; for goals and emergencies
Overdraft	spending more than the balance; often triggers a fee
Deposit insurance	FDIC (banks) or NCUA (credit unions): generally \$250,000 per depositor, per insured institution, per ownership category

Emergency fund: commonly three to six months of essential expenses.

Watch out: deposit insurance protects deposits if the institution fails; it does not cover investments or theft from your own mistakes.

3.2 Simple and compound interest

Simple: $I = Prt$. \$2,000 at 4% for 3 years $\rightarrow \$240$.

Compound: $A = P(1 + r/n)^{nt}$: interest earns interest.

Rule of 72: years to double $\approx 72 \div$ rate; at 6%, about 12 years.

APY includes compounding, so compare savings accounts by APY.

Watch out: write the rate as a decimal: $4\% = 0.04$, not 4.

14) Nikolai Petrov, who lives in Birmingham, compares three sizes of olive oil on the shelf.

Shelf tags: olive oil	Price
10-ounce size	$2.46
24-ounce size	$4.94
48-ounce size	$11.23

Which size costs the least per ounce?

(A) The 10-ounce size
(B) The 24-ounce size
(C) The 48-ounce size
(D) All three cost the same per ounce

15) A saver is thinking about moving her savings from a bank to a federally insured credit union that pays a slightly higher rate. How is the money protected at the credit union?

(A) It is not insured, since the FDIC covers only banks
(B) The NCUA insures her shares up to $250,000, much as the FDIC insures bank deposits
(C) It is insured by the FDIC, but only up to $100,000
(D) It is fully insured with no limit, since members own the credit union

16) Wei Chen of Huntsville receives the electric bill below.

Northshore Energy monthly bill	Amount
Electricity used	620 kWh
Energy charge at $0.12 per kWh	$74.40
Monthly service charge	$12.75
Amount due	**$87.15**

If next month's use falls by 200 kWh and nothing else changes, what will the amount due be?

(A) $39.15
(B) $50.40
(C) $63.15
(D) $59.04

17) Julian deposits his paycheck with his bank's mobile app at 9 p.m. on a Friday. The bank's deposit cutoff time is 8 p.m. on business days, and Monday is not a holiday. On which day is the deposit usually treated as received?

(A) Friday
(B) Saturday
(C) Sunday
(D) Monday

18) Destiny Carter of Huntsville receives a paper paycheck and plans to deposit it at her bank's branch on the way home. She wants to sign the back now, but she worries the check could be lost or stolen before she reaches the bank. Which endorsement protects her best?

(A) Her signature alone on the back
(B) "For deposit only" followed by her signature (and account number)
(C) "Pay to the order of Cash" followed by her signature
(D) Her signature on the front of the check, next to the amount

19) What is the key feature of a balloon loan?

(A) Equal payments that pay the loan off completely by the end
(B) Payments that rise a little every year until the loan is paid off
(C) Smaller regular payments followed by one large final payment
(D) A large down payment followed by smaller regular payments

20) A worker contributes $3,000 to a traditional 401(k) through payroll this year. What happens to this year's taxable income?

(A) It rises by $3,000
(B) It does not change
(C) It falls by $1,500
(D) It falls by $3,000

21) Which type of insurance pays for damage you cause to other people and their property?

(A) Disability insurance
(B) Renters insurance
(C) Liability coverage
(D) Life insurance

22) What does a loan-to-value (LTV) ratio compare?

(A) The APR on a loan and the APY on a savings account
(B) Monthly debt payments and gross monthly income
(C) The interest paid and the principal borrowed over the loan's life
(D) The loan amount and the value of the asset that secures it

23) Luis owed $14,000 on his car loan when it was repossessed. The lender sold the car for $9,500. What is the $4,500 difference called?

(A) Equity that is returned to Luis
(B) A charge-off that is automatically forgiven
(C) A deficiency balance that Luis may still owe
(D) The lender's profit on the sale

24) Keon Harris of Montgomery takes home $2,400 a month. His needs total $1,380, his wants $780, and he saves the rest. Compared with the 50/30/20 targets in the reference box, which statement is correct?

(A) Needs are $180 over and wants $60 over, so saving is $240 short
(B) Only wants are over target, by $60
(C) Needs are $180 over, but saving meets its target
(D) Everything is on target because the three parts add up to take-home pay

25) Camila Reyes invests $300 in a balanced index fund, which permits fractional shares, on the same day of each month for three months. The share price was $30, then $50, then $25. What was the average cost per share actually paid?

(A) $30.00
(B) $35.00
(C) $50.00
(D) $32.14

26) Sam receives a $5,000 inheritance. He has $2,000 of credit card debt at 24% APR and no emergency fund. What is the soundest plan?

(A) Keep paying the credit card minimum and save the whole $5,000
(B) Put all of it into a single trendy stock
(C) Spend it all on a vacation while he has the money
(D) Pay off the credit card, then start an emergency fund with the rest

27) A study app costs $12.99 a month, or $109.99 for a full year paid up front and not refundable. A student will use it only during the 8 months of the school year and can cancel and restart the monthly plan at any time with no fee. Which plan is cheaper for this student, and by how much?

(A) The annual plan, by $45.89
(B) The monthly plan, by $6.07
(C) The annual plan, because it works out to about $9.17 a month
(D) The monthly plan, by $45.89

28) Gross pay for the period is $620.00 with no pre-tax deductions. What is the Medicare withholding?

(A) $47.43
(B) $38.44
(C) $8.99
(D) $89.90

29) Besides the first month's rent, what does a tenant often need to pay before moving into an apartment?

(A) Only a credit check fee, because landlords may not charge deposits
(B) A security deposit, and sometimes last month's rent or other fees
(C) A full year of rent in advance
(D) Closing costs, the same fees a buyer pays when purchasing a home