HIGH SCHOOL

ALASKA PERSONAL FINANCE



10 FULL-LENGTH PRACTICE TESTS

400 Original Questions

with Step-by-Step Explanations and a Quick Review

Reza Nazari

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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.

Alaska facts (2026)

- State income tax: none.
- Minimum wage: $14.00 an hour (from July 1, 2026).
- Alaska has no statewide sales tax, though some boroughs and cities charge one.
- Minimum auto liability 50/100/25.
- State 529 college savings plan: Alaska 529.
- A state student-aid program: Alaska Performance Scholarship.

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 Alaska 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 → $\$588 \div 6 = \$98$/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.

4 Investing

Risk and return, funds, and retirement accounts

4.1 Risk, return, and diversification

Stock	a share of ownership; higher expected return, higher risk
Bond	a loan to a company or government; pays interest
Mutual fund / ETF	many investments in one; built-in diversification
Index fund	tracks a market index at low cost

Diversification spreads money across many investments so one loss hurts less. A longer time horizon lets an investor ride out swings.

Watch out: higher expected returns generally require accepting greater risk; a promise of guaranteed high returns is a red flag.

20) A driver backs into a post and causes $750 of damage to her car. Her collision deductible is $500, and her insurer would likely raise her premium by about $150 a year for three years after an at-fault claim. What is the most sensible choice?

(A) File the claim, since the insurer would pay the full $750 of the repair
(B) File the claim, since she has already paid premiums for exactly this coverage
(C) Pay for the repair herself, since the claim would pay only $250 and could cost about $450
(D) Pay for the repair herself, since collision coverage never pays for single-car accidents

21) 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) Monday
(C) Saturday
(D) Sunday

22) A debt settlement company tells a borrower with $9,000 of credit card debt to stop paying her cards and instead make monthly deposits into an account the company controls, promising to settle the debts later for much less. Which risk is most important to understand before agreeing?

(A) The company will usually charge a high APR on the money in the account
(B) Settling debts has no effect on her credit report once the deals are made
(C) She will lose the right to ever contact her creditors directly again
(D) While she stops paying, late fees, collection efforts, and credit damage pile up, with no guarantee the card companies will settle

23) A young worker's credit report summary lists: Card A, limit $2,000, balance $1,800, current; Card B, limit $3,000, balance $0, current, with one accurate 30-day late payment five years ago; and an auto loan in good standing. Which action is most likely to raise her score the soonest?

(A) Closing Card B, since it has the old late payment
(B) Disputing the five-year-old late payment with the bureaus
(C) Paying Card A's balance down well below its limit
(D) Paying off the auto loan early

24) A first-time buyer buys a $24,000 car with an auto loan. To keep her premium low, she plans to buy only the minimum liability coverage required where she lives. Why is this plan likely to run into a problem?

(A) Lenders care only that the liability coverage required by law is in place
(B) Most auto lenders require collision and comprehensive coverage until the loan is paid off
(C) Liability coverage already pays to repair her own car after a crash she causes
(D) Insurers do not sell liability-only coverage for a car bought with a loan

25) $6,500 is deposited at 4% compounded monthly for 10 years. What is the balance?

(A) $9,621.59 (B) $6,719.95
(C) $9,100.00 (D) $9,690.41

26) An email that looks like it is from your bank asks you to click a link and confirm your password. What should you do?

(A) Do not click; contact the bank using its official number or website
(B) Click the link to check whether it is real
(C) Call the phone number listed in the email to check
(D) Forward it to friends as a warning

27) A single depositor holds $465,000 in one checking account at one insured bank, under one ownership category. How much of it is federally insured?

(A) $232,500 (B) $250,000
(C) $215,000 (D) $465,000

28) Aaron Tikiun of Kenai earns $17 an hour and works about 2,000 hours a year. A $4,000 welding certificate would qualify him for jobs paying $24 an hour for the same hours. Ignoring taxes, about how many months of higher pay would it take to earn back the cost of the certificate?

(A) About 7 months (B) About 1 month
(C) About 3.4 months (D) About 14 months

29) What does an investor get by buying a company's bond instead of its stock?

(A) Part ownership of the company with voting rights
(B) A guarantee of earning more than the company's stockholders
(C) Deposit insurance on the amount invested
(D) A loan to the company that pays interest, not a share of ownership

30) A student canceled his gym membership, but the gym keeps taking $30 from his checking account each month by automatic debit. Besides canceling in writing with the gym, what should he do with his bank?

(A) Nothing, since a bank cannot stop a payment the customer once approved
(B) Wait until the debit posts, then close the account to get the money back
(C) Tell the bank to stop the recurring payment at least three business days before the next scheduled debit
(D) Tell the bank on the day of the debit, which always cancels it on time

31) Daniela, age 23, is graduating from college. Her new part-time job does not offer health insurance, and her parent has family coverage through an employer plan that offers dependent coverage. Which option is usually available to her?

(A) Staying on her parent's plan only while she is a full-time student
(B) Staying on her parent's plan only until she turns 21
(C) Staying on her parent's plan only if she lives in her parent's home
(D) Staying on her parent's plan as a dependent until she turns 26

32) Lena finds two credit card accounts on her credit report that she never opened. What is the best first step?

(A) Pay off the balances so her score does not drop
(B) Wait for the accounts to drop off her report on their own
(C) Report the identity theft at IdentityTheft.gov and place a fraud alert or credit freeze
(D) Close her own checking and savings accounts

33) Owen Nakamura of Wasilla gets two quotes for the same auto policy.

	Quote 1	**Quote 2**
Collision deductible	$500	$1,000
Yearly premium	$1,380	$1,160

If he picks Quote 2 and has one collision claim, he pays $500 more out of pocket for that claim. About how many claim-free years of premium savings would it take to cover that extra $500?

(A) About 0.4 years
(B) About 4.5 years
(C) About 6.3 years
(D) About 2.3 years