HIGH SCHOOL

ARIZONA 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.

Arizona facts (2026)

- State income tax: flat 2.5%.
- Minimum wage: $15.15 an hour.
- Transaction Privilege Tax 5.6%.
- Minimum auto liability 25/50/15.
- State 529 college savings plan: AZ529.
- A state student-aid program: Arizona Promise 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 Arizona 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.

16) All investors together own the whole market. What follows from that?

(A) As a group they earn the market's return before costs, and less after them
(B) Active managers as a group beat the index
(C) Every investor earns the market's return exactly
(D) Fees have no effect on the group's result

17) According to a common guideline, how large should an emergency fund be?

(A) One week of take-home pay
(B) Three to six months of essential living expenses
(C) The amount of one monthly rent payment
(D) Nothing, if you have a credit card with a high limit

18) Brianna Wallace, a Phoenix resident, is turned down for a checking account because a consumer reporting agency for bank accounts shows an old overdraft she never repaid at another bank. What is her best next step?

(A) Pay off or settle the old negative balance and apply for a second-chance checking account
(B) Wait 30 days, since such records disappear after a month
(C) Open an account in a friend's name and deposit her pay there
(D) Rely on check-cashing stores from now on, since banks will never accept her

19) A store's policy reads: "Returns within 30 days with a receipt are refunded to the original payment. Without a receipt, we issue store credit at the item's lowest selling price in the past 60 days." A shopper paid $120 for headphones 20 days ago, lost the receipt, and sees they are now on sale for $90. What can the shopper most likely expect?

(A) A $120 refund to the original card, since it is within 30 days
(B) Store credit of $90
(C) Store credit of $120, the price actually paid
(D) Nothing, because items cannot be returned without a receipt

20) Four people are thinking about buying life insurance. Which one most likely has the smallest need for it?

(A) A 19-year-old single student with no children and no one relying on her income
(B) A 35-year-old parent whose salary pays most of the family's bills
(C) A 40-year-old who shares a large mortgage with a spouse on two incomes
(D) A 28-year-old stay-at-home parent of two young children

21) A certificate of deposit (CD) often pays a higher rate than a regular savings account. What does the saver give up in return?

(A) A rate that stays fixed for the full term
(B) The original deposit, if interest rates rise
(C) FDIC insurance on the deposit
(D) Easy access to the money until the CD matures

22) Jordan Ellis of Chandler was automatically enrolled in his 401(k) at a 3% contribution rate. His employer matches dollar for dollar up to 5% of pay, and Jordan can afford to save more. What is his best move?

(A) Keep 3%, since the plan picked the right rate for him
(B) Opt out and put the money in a savings account instead
(C) Raise his contribution to at least 5% of pay
(D) Wait for a raise, since the match applies only to raises

23) Before sending money with a payment app, what is the most important check?

(A) That the recipient's name and account are correct, because payments can be hard to reverse
(B) That the app charges no interest
(C) That the payment is at least $100
(D) That the recipient is online

24) A buyer finances $22,000 for a car at 7.5% APR. A 48-month loan has payments of $531.94, and a 72-month loan has payments of $380.38. How much more does the 72-month loan cost in total?

(A) $1,854.24
(B) $151.56
(C) $5,387.36
(D) $9,129.12

25) How are the payments on an amortized installment loan, such as a car loan, split over time?

(A) Early payments are mostly principal, and later payments are mostly interest
(B) Every payment is interest only, and the principal is due at the end
(C) Early payments are mostly interest, and later payments are mostly principal
(D) Every payment is split exactly half interest and half principal

26) Kira Lopez of Phoenix has two job offers for similar work. Offer A pays $44,000 and the employer pays for her health insurance. Offer B pays $48,000 with no health benefits, and buying similar coverage on her own would cost her $4,800 a year. Counting only salary and health costs, which offer is worth more, and by how much?

(A) Offer B, by $4,000
(B) Offer B, by $800
(C) They are worth the same
(D) Offer A, by $800

27) Priya Raghunathan, who lives in Show Low, is single, earns $54,000 in wages in 2026, and takes the standard deduction. Using the reference bracket table, what share of total income goes to federal income tax?

(A) 7.7%
(B) 8%
(C) 11.3%
(D) 12%

28) A portfolio is spread across hundreds of companies. Which risk does that **not** remove?

(A) The risk that one company's management fails
(B) The risk that one company goes bankrupt
(C) The risk that one industry has a bad year
(D) The risk that the market as a whole falls

29) Tariq Hassan's dental plan pays 50% of the cost of major services, such as crowns, after a $50 deductible, up to an annual maximum benefit of $1,000. He has used no benefits yet this year and needs three crowns costing $1,200 each. How much will he pay out of pocket for the crowns?

(A) $1,825
(B) $2,600
(C) $1,800
(D) $2,550

30) A consumer signs a contract with a salesperson at home, and the sale is covered by the federal Cooling-Off Rule. How long does the consumer generally have to cancel?

(A) There is no cancellation right for a sale at your door
(B) 30 days, by phone
(C) Until the goods are delivered
(D) 3 business days, in writing

31) A cardholder pays his credit card in full every month and charges about $6,000 a year. Card A has no annual fee and pays 1.5% cash back. Card B has a $95 annual fee and pays 3% cash back. Which card gives him more net reward for the year, and by how much?

(A) Card A, by $5
(B) Card B, by $90
(C) Card B, by $85
(D) Card A, by $95

32) Ava spends her whole $3,000 emergency fund on a vacation. What is the main opportunity cost of this choice?

(A) The time she spent planning the trip
(B) The interest charges she will pay on the trip
(C) She has no cushion if a real emergency happens soon after
(D) The price of the vacation itself

33) Kayla Brooks, a Prescott resident, wants a laptop that costs $600 in cash. A rent-to-own store offers the same laptop for $25 a week, and she owns it only after all 52 payments. If she instead saves $25 a week and pays cash, about how long will she wait, and how much will she save compared with the rent-to-own plan?

(A) About 52 weeks, saving $700
(B) About 24 weeks, saving $1,300
(C) About 28 weeks, saving $700
(D) About 24 weeks, saving $700