HIGH SCHOOL

COLORADO 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.

Colorado facts (2026)

- State income tax: flat 4.4%.
- Minimum wage: $15.16 an hour.
- Statewide sales tax 2.9% (local taxes can add more).
- Minimum auto liability 25/50/15.
- State 529 college savings plan: CollegeInvest.
- A state student-aid program: Colorado Student Grant.
- FAMLI paid-leave premium (2026): 0.88% of wages, of which up to half (0.44%) may be deducted from the employee's pay.

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 Colorado 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.

14) Ingrid Larsen waits tables at a diner in Colorado and is paid the state minimum wage of $15.16 an hour. Last week Ingrid worked 26 hours and reported $238.90 in tips. What were the gross earnings for the week?

(A) $394.16
(B) $238.90
(C) $633.06
(D) $513.61

15) Lucia Fernandes earns a $48,000 salary. Her employer pays $6,500 a year toward her health insurance and matches her 3% 401(k) contribution with another 3% of salary. Not counting payroll taxes the employer is required to pay, what is her total yearly compensation?

(A) $55,940
(B) $57,380
(C) $54,500
(D) $49,440

16) Which law requires lenders to disclose the APR and total finance charge before a consumer signs a loan?

(A) The Truth in Lending Act
(B) The Fair Debt Collection Practices Act
(C) The Fair Credit Reporting Act
(D) The Equal Credit Opportunity Act

17) Kayla buys expensive shoes because her friends all have them, even though she is saving for a car. What influence is shaping this decision?

(A) Anchoring
(B) Peer influence
(C) Loss aversion
(D) Opportunity cost

18) Sofia Moreno works full time as a freelance graphic designer and has no employer. Which statement about her retirement saving options is correct?

(A) Tax-advantaged retirement accounts are offered only through employers
(B) She can open a retirement plan only after she hires employees
(C) She can open her own IRA, and self-employment plans such as a SEP IRA also exist
(D) Social Security is the only retirement plan open to her

19) Rania Haddad of Sterling is offered a $129.00 protection plan on a laptop costing $940.00. About 8% of these machines need the covered repair within the plan's term, and that repair costs $180.00. What is the expected cost of the repair without the plan?

(A) $75.20
(B) $14.40
(C) $180.00
(D) $129.00

20) Aaliyah Freeman of Alamosa receives the electric bill below.

Northshore Energy monthly bill	**Amount**
Electricity used	740 kWh
Energy charge at \$0.16 per kWh	\$118.40
Monthly service charge	\$9.50
Amount due	**\$127.90**

If next month's use falls by 120 kWh and nothing else changes, what will the amount due be?

(A) \$99.20
(B) \$107.16
(C) \$89.50
(D) \$108.70

21) A student uses pay-in-four buy-now-pay-later plans for shoes, a jacket, and concert tickets in the same month, with each plan set to take automatic payments from her debit account every two weeks. What is the biggest risk of this approach?

(A) Each plan charges a high APR on the full purchase from the first day
(B) She cannot return any item bought with a buy-now-pay-later plan
(C) The plans lower her credit score as soon as each purchase is made
(D) The overlapping payments can add up faster than she expects and overdraw her account or trigger late fees

22) Samir Haddad carries only Colorado's minimum liability coverage of 25/50/15. He causes a crash in Longmont in which one driver has \$30,000 of injuries, a passenger has \$12,000 of injuries, and the other car, worth \$19,000, is destroyed. How much of the damage is not covered by his policy?

(A) \$4,000
(B) \$9,000
(C) \$5,000
(D) \$0

23) Aaliyah Freeman of Grand Junction receives the monthly checking statement below. The maintenance fee is waived for accounts that receive a direct deposit, and this institution's own machines are free to use.

Third Coast Savings	Aaliyah Freeman	Amount
Beginning balance		$1,338.90
Deposits		$1,420.00
Withdrawals and card purchases		$1,495.60
Monthly maintenance fee		$8.00
Out-of-network ATM fees	$2 \times \$3.75$	$7.50
Ending balance		**$1,247.80**

What would the ending balance have been with the direct deposit set up and no out-of-network withdrawals?

(A) $1,263.30
(B) $1,247.80
(C) $1,255.80
(D) $1,255.30

24) Ethan Morales causes a crash in Loveland and has $3,200 of medical bills. His Colorado auto policy includes $5,000 of medical payments (MedPay) coverage, which Colorado insurers include unless the buyer rejects it in writing. Which coverage pays his own medical bills first?

(A) The other driver's liability coverage
(B) His collision coverage
(C) His personal injury protection, which Colorado requires as a no-fault state
(D) His own MedPay coverage, up to $5,000, regardless of who caused the crash

25) 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

26) Hana Sato expects to stay at her next job exactly 2 years and will always contribute enough to get the full match. Offer A pays $50,000 with a 3% match that vests immediately. Offer B pays $51,000 with a 6% match that vests only after 3 years of service. Counting salary plus match money she gets to keep, how do the offers compare over her 2 years?

(A) Offer A comes out $1,000 ahead
(B) Offer B comes out $5,120 ahead
(C) Offer B comes out $2,000 ahead
(D) Offer A comes out $3,000 ahead