HIGH SCHOOL

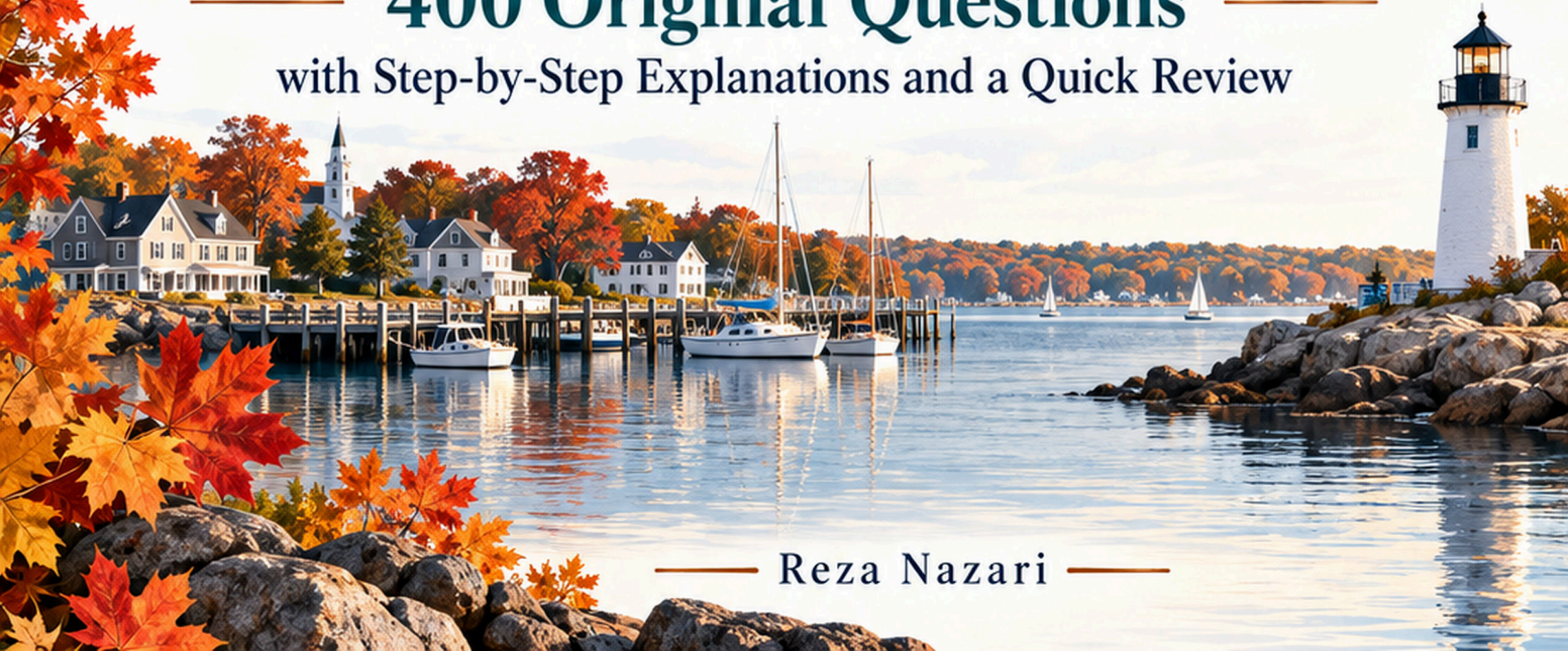
CONNECTICUT PERSONAL FINANCE



10 FULL-LENGTH PRACTICE TESTS

400 Original Questions

with Step-by-Step Explanations and a Quick Review



Reza Nazari

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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.

Connecticut facts (2026)

- State income tax: graduated, 2% to 6.99%.
- Minimum wage: $16.94 an hour.
- Sales tax 6.35% statewide; Connecticut has no local sales taxes.
- CT Paid Leave: 0.5% of wages, deducted from the employee's pay.
- Minimum auto liability 25/50/25.
- State 529 college savings plan: CHET (Connecticut Higher Education Trust).
- A state student-aid program: Roberta B. Willis 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 Connecticut 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.

Scan Me

14) Two funds hold the same investments. One charges an expense ratio of 0.05% and the other 1.1%. On a balance of $120,000, what is the difference in fees in one year?

(A) $1,320.00 (B) $60.00
(C) $105.00 (D) $1,260.00

15) A family needs to trim its monthly budget. Which cut is most likely to save money now but cost more later?

(A) Skipping routine car maintenance such as oil changes
(B) Switching to a cheaper phone plan with less data they do not use
(C) Cooking at home more often instead of ordering takeout
(D) Canceling a streaming service no one has watched in months

16) 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

17) Kenji Watanabe reviews the retirement plan statement below.

Nguyen Family Pharmacy retirement plan	**Kenji Watanabe**	**Amount**
Employee deferral, year to date		$9,600
Employer match, year to date		$4,800
Investment earnings, year to date		$780
Remaining employee room for the year		_____

Using the 2026 contribution limit in the reference figures, how much more may Kenji defer from pay this year?

(A) $14,900 (B) $10,100
(C) $24,500 (D) $9,600

18) Ana can paint a room in 4 hours or tile a floor in 8 hours. Ben needs 5 hours to paint a room and 6 hours to tile a floor. Who has the comparative advantage in tiling, and why?

(A) Ben, because tiling costs him fewer painted rooms
(B) Neither, because each of them is faster at one of the jobs
(C) Ben, because he needs fewer total hours for the two jobs combined
(D) Ana, because tiling costs her fewer painted rooms

19) Which factor usually raises a young driver's auto insurance premium?

(A) A recent speeding ticket
(B) Completing a driver education course
(C) Good grades
(D) Choosing a higher deductible

20) Three months ago, Caleb Ellis chose a phone plan with 5 GB of data after comparing options. He now uses about 12 GB a month and pays overage charges. What step of the decision-making process should he take now?

(A) Keep the plan, since a carefully made decision should not be changed
(B) Evaluate the decision against his needs and revisit the alternatives
(C) Switch to the plan his friends use, since it works well for them
(D) Dispute the overage charges with the carrier as a billing error

21) Hannah Kowalski, a Norwich resident, missed a card payment by 30 days three years ago but has paid every bill on time since then. Which statement about that late payment is most accurate?

(A) It was removed automatically once she made 12 on-time payments in a row
(B) It can stay on her report for up to seven years, but its effect on her score shrinks as her on-time history grows
(C) It still hurts her score exactly as much as it did the month it happened
(D) She can have it deleted by disputing it with the credit bureaus

22) Lena Novak, who lives in Bridgeport, 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.

Cordillera Credit Union	Lena Novak	Amount
Beginning balance		$1,338.90
Deposits		$1,685.50
Withdrawals and card purchases		$1,742.30
Monthly maintenance fee		$5.00
Out-of-network ATM fees	$3 \times \$3.00$	$9.00
Ending balance		**$1,268.10**

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

(A) $1,273.10
(B) $1,277.10
(C) $1,282.10
(D) $1,268.10

23) The Rule of 72 estimates how many years it takes money to double. What do you divide 72 by?

(A) The number of years you plan to save
(B) The account balance
(C) The annual interest rate, written as a percent
(D) The monthly deposit amount

24) Brianna Walsh of Hartford owes $12,400 on a car that is worth $9,000 as a trade-in. She buys a $21,500 car with no down payment, and the dealer rolls the unpaid balance of her old loan into the new loan. Ignoring taxes and fees, how much will she finance?

(A) $24,900
(B) $21,500
(C) $18,100
(D) $12,500

25) A student with federal Direct Loans graduates in May and has not paid anything on them yet. When is her first regular payment typically due?

(A) About one month after graduation
(B) Only after her income reaches a set minimum
(C) While she was still in school, starting with her first term
(D) After a six-month grace period, so around late fall

26) Compared with a credit card, what is a common advantage of a personal loan for a large purchase?

(A) Its interest can be deducted on your federal tax return
(B) It requires no application or credit check
(C) A fixed payoff schedule and often a lower interest rate for borrowers with good credit
(D) It does not appear on your credit report

27) Someone turns down an 8-hour shift at $17.00 an hour to go to a concert. The ticket costs $81.60. If the shift was the next-best use of that time, what is the opportunity cost of the time spent at the concert?

(A) $81.60
(B) $257.60
(C) $136.00
(D) $217.60

28) Hannah Kim of Stamford, 35, still owes $8,000 on a loan from her 401(k) when she quits her job. She cannot repay it by the plan's deadline. What is the main consequence?

(A) The loan is forgiven, since she no longer works there
(B) The balance goes to collections and lowers her credit score
(C) The unpaid balance can be treated as a withdrawal, bringing income tax and possibly the 10% additional tax
(D) She must keep paying the old employer until the loan is paid off