HIGH SCHOOL

ILLINOIS 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 ÷ 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.

Illinois facts (2026)

- State income tax: flat 4.95%.
- Minimum wage: $15.00 an hour.
- Statewide sales tax 6.25% (local taxes can add more).
- Minimum auto liability 25/50/20.
- State 529 college savings plan: Bright Start College Savings.
- A state student-aid program: Monetary Award Program (MAP) grant.

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 Illinois 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.

15) Samuel Oyelaran, who lives in Carbondale, carries an average card balance of $2,500 all year and charges $6,000 a year. Card X pays 2% cash back and has a 26% APR. Card Y pays 1% cash back and has a 17% APR. Estimating yearly interest as the APR times the average balance, which card costs him less for the year, and by how much?

(A) Card X, by about $60
(B) Card Y, by about $225
(C) They cost the same, since the extra rewards offset the higher APR
(D) Card Y, by about $165

16) Illinois gives parents a K-12 education expense credit of 25% of qualified tuition, book and lab fees above the first $250, up to $750 per family. The Novaks of Oak Park pay $2,000 in qualified expenses for their son's school this year. What credit can they claim?

(A) $500.00
(B) $437.50
(C) $750.00
(D) $1,750.00

17) A student planned a $1,800 trip for 10 months from now and has already saved $300. The trip is then moved earlier, so only 6 months remain. How much should he now save each month to be ready on time?

(A) $300
(B) $150
(C) $250, which is $100 more than before
(D) $180

18) In a state with no cap on loan rates, a payday lender charges $20 to borrow $100 for 14 days. What is the approximate annual percentage rate?

(A) 20%
(B) 240%
(C) 52%
(D) 521%

19) A worker's hours are cut for one month, lowering her take-home pay by $300 for that month only. She has 8 months left on her apartment lease. Which adjustment fits the situation best?

(A) Break the lease and move to a cheaper apartment
(B) Trim variable spending such as dining out, entertainment, and groceries for the month
(C) Skip one month of car insurance and restart it later
(D) Sell her car and rely on rides from friends

20) Illinois Secure Choice automatically enrolls workers at a default savings rate of 5% of pay, and workers may change the rate or opt out. Research on such programs finds that most workers keep the default rate. Which behavioral tendency does this best show?

(A) Loss aversion, because workers fear losing their jobs
(B) Herd behavior, because workers copy coworkers' stock picks
(C) Overconfidence, because workers think they will win the lottery
(D) Status quo bias, the tendency to stick with a preset option

21) A fund gains 40% one year and loses 30% the next, so its simple average annual return is 5%. What is $10,000 invested at the start worth after the two years?

(A) $9,800
(B) $11,000
(C) $11,025
(D) $10,000

22) At a free seminar, a man calling himself a financial adviser urges Diego Alvarez to move his savings into a fund the man manages. What is the best first step before handing over any money?

(A) Ask him for testimonials from satisfied clients
(B) Check that he has a professional website and business cards
(C) Ask him directly whether he is registered and accept his answer
(D) Look up his registration and disciplinary history on FINRA BrokerCheck or the SEC adviser database

23) Diego Herrera, a Carbondale resident, reviews the retirement plan statement below.

Tobin & Reyes Accounting retirement plan	Diego Herrera	Amount
Employee deferral, year to date		$18,200
Employer match, year to date		$18,200
Investment earnings, year to date		$1,220
Remaining employee room for the year		_____

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

(A) −$11,900
(B) $24,500
(C) $18,200
(D) $6,300

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

25) Hiroshi Tanaka of Peoria is choosing a phone plan for the next 24 months. Plan A costs $40 a month, and he buys the $600 phone up front. Plan B costs $62 a month and includes the same phone. Which plan costs less over the 24 months, and by how much?

(A) Plan A, by $528
(B) Plan B, by $72
(C) Plan A, by $72
(D) Plan B, by $600

26) Ella Brooks of Springfield wants to buy from an online store she has never used before. She can pay with her credit card or her debit card, and she pays her credit card bill in full each month. Why is the credit card usually the safer choice for this purchase?

(A) Credit card numbers cannot be stolen or misused when shopping online
(B) Debit card fraud is never refunded once the money leaves her account
(C) A fraudulent charge does not take cash from her checking account, and federal law caps her liability
(D) Stores give a longer return period on purchases paid with a credit card

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

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

28) Siobhan O'Neill of Galena puts $6,000 in a 12-month CD at 4.5% APY. The early withdrawal penalty is 3 months of interest. After 6 months she needs the money and closes the CD. Treating interest as simple, how much interest does she keep?

(A) $135.00
(B) $67.50
(C) $202.50
(D) $270.00

29) Luis Mendoza graduated from a Waukegan high school and lives in Illinois, but his immigration status makes him ineligible for federal student aid, so he cannot receive aid through the FAFSA. How can he apply for Illinois state aid such as the MAP grant?

(A) Submit the FAFSA anyway, since it is the only way to apply for any aid
(B) Submit the Alternative Application for Illinois Financial Aid to the Illinois Student Assistance Commission
(C) Apply for a federal Direct Loan instead, since state grants need federal eligibility
(D) Nothing, because no Illinois aid is available to him

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

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

31) Jada's account shows a balance of $420. She wrote a $75 check that has not cleared and has a $40 automatic payment pending. How much can she safely spend?

(A) $305
(B) $420
(C) $380
(D) $345