HIGH SCHOOL

IOWA

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.

Iowa facts (2026)

- State income tax: flat 3.8%.
- Minimum wage: $7.25 an hour (the federal rate).
- Statewide sales tax 6% (local taxes can add more).
- Minimum auto liability 20/40/15.
- State 529 college savings plan: College Savings Iowa.
- A state student-aid program: Iowa Tuition 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 Iowa 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.

17) What is the main purpose of the security deposit a tenant pays when signing an apartment lease?

(A) It replaces the need for renters insurance
(B) It is the first month's rent paid in advance
(C) It is extra rent that the landlord always keeps
(D) It protects the landlord against unpaid rent or damage beyond normal wear and tear

18) On a fixed-rate mortgage, what happens to the monthly principal-and-interest payment?

(A) It changes every month with market rates
(B) It goes down each year as the balance falls
(C) It rises each year to keep up with inflation
(D) It stays the same for the life of the loan

19) Which type of financial aid is gift aid?

(A) A Federal Work-Study job
(B) A Direct Subsidized Loan
(C) A Pell Grant, which does not have to be repaid
(D) A private student loan

20) Tyler Grant served in the Army and now works in Council Bluffs. He wants to buy a home with little money down. Which mortgage is designed for eligible veterans and usually requires no down payment and no private mortgage insurance?

(A) A VA loan
(B) An FHA loan
(C) A conventional loan with 5% down
(D) A reverse mortgage

21) Fatima Al-Mansouri reviews the retirement plan statement below.

Ardmore Public Library retirement plan	**Fatima Al-Mansouri**	**Amount**
Employee deferral, year to date		$15,800
Employer match, year to date		$7,900
Investment earnings, year to date		$410
Remaining employee room for the year		_____

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

(A) $800
(B) $8,700
(C) $24,500
(D) $15,800

22) What secures a secured credit card?

(A) The title to your car
(B) A cash deposit, which often equals the credit limit
(C) The value of your home
(D) A cosigner's promise to pay

Use the information below. Then answer questions 23–25.

Credit Card Statement

A cardholder receives the statement below. No new purchases were made during the period.

Statement	Amount
Previous balance	$1,880.00
Credit limit	$5,000
Annual percentage rate	22.99%
Payments and credits	$0.00
Minimum payment due	_____

23) *Use the credit card statement to answer this question.*

At 22.99% APR, what is one month's finance charge on the $1,880.00 card balance?

(A) $36.02
(B) $432.21
(C) $1.18
(D) $18.80

24) *Use the credit card statement to answer this question.*

At 22.99% APR on this $1,880.00 balance, the card requires the greater of $35 or the interest plus 1% of the balance. What is the minimum payment?

(A) $54.82
(B) $36.02
(C) $35.00
(D) $37.60

25) *Use the credit card statement to answer this question.*

The statement lists a $1,880.00 balance, a $5,000 limit, and 22.99% APR. What is the utilization?

(A) 266%
(B) 37.6%
(C) 27.3%
(D) 3.76%

26) Identity thieves who go "dumpster diving" are usually looking for what?

(A) Discarded merchandise they can return to stores for cash refunds
(B) Clues in the trash that show when a home will be empty
(C) Used batteries and electronics to recycle
(D) Thrown-away documents with account numbers or personal information

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

28) Meera Iyer of Sioux City stays home to care for her children and has no earned income. Her husband earns $70,000, and they file a joint federal return. The 2026 IRA limit is $7,500 per person. Which statement about Meera saving in an IRA is correct?

(A) She cannot contribute, because each IRA owner must have their own earned income
(B) She can save only by adding money to her husband's IRA
(C) The couple can put in only $7,500 in total between them
(D) She can contribute up to $7,500 to an IRA in her own name, based on her husband's earnings

29) A college student starts delivering food in the evenings with his own car through a delivery app. His personal auto policy excludes using the car to carry people or goods for a fee. What is the biggest insurance risk if he makes no changes?

(A) His premium will rise, but any crash during a delivery will still be covered as usual
(B) The app's insurance fully replaces his personal policy whenever he is working
(C) A crash during a delivery may be denied by his insurer, leaving gaps the app's coverage may not fill
(D) Only drivers who carry passengers are at risk, since he carries food and not people

30) Solange Dubois is offered a $109.00 protection plan on a treadmill costing $1,150.00. About 10% 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) $109.00
(B) $115.00
(C) $18.00
(D) $180.00