HIGH SCHOOL

KENTUCKY 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. Kentucky also pays time and a half for the seventh consecutive day worked in a workweek; questions here use the weekly rule unless they say otherwise.
- 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.

Kentucky facts (2026)

- State income tax: flat 3.5%.
- Minimum wage: $7.25 an hour (the federal rate).
- Statewide sales tax 6% (Kentucky has no local sales taxes).
- Minimum auto liability 25/50/25.
- State 529 college savings plan: KY Saves 529.
- A state student-aid program: KEES (Kentucky Educational Excellence 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 Kentucky 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.

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.

13) A student borrows $5,500 in federal Direct Loans, which carry an origination fee of 1.057% deducted before disbursement. Approximately how much reaches the school?

(A) $5,267.46 (B) $5,500.00
(C) $5,558.14 (D) $5,441.87

14) Brianna Scott's car is totaled in a covered collision. The insurer values it at an actual cash value of $14,000 and subtracts her $500 deductible. She still owes $17,200 on her car loan and has no gap insurance. After the insurance payment goes to the lender, how much does she still owe?

(A) $3,200 (B) $3,700
(C) $500 (D) $0

15) In Kentucky, the minimum auto liability limits are 25/50/25. What does the middle figure mean?

(A) $50,000 of coverage for damage to property
(B) $50,000 of coverage for any one injured person
(C) A $50,000 deductible
(D) $50,000 of bodily injury coverage for all people hurt in one crash

16) Priya Nair, a Pikeville resident, buys $1,500 of furniture on a store card advertising "No interest if paid in full within 12 months." The card's regular APR is 29.99%. When the 12 months end, she still owes $100. Under typical deferred-interest terms, what happens next?

(A) Interest starts only on the remaining $100 from this point forward
(B) Interest is charged back to the purchase date on the full $1,500 purchase
(C) No interest is charged because she paid off most of the balance on time
(D) A one-time charge of 29.99% of the $100, or about $30, is added

17) Your savings account pays 1% interest a year, and inflation is 3% a year. What is your approximate real return?

(A) About 3% a year (B) About −2% a year
(C) About 1% a year (D) About 4% a year

18) A loan of $14,000 at 7.9% is repaid over 60 months. The monthly payment is $283.20. What is the total cost of credit?

(A) $3,398.40 (B) $1,106.00
(C) $16,992.00 (D) $2,992.00

Use the information below. Then answer questions 19–21.

Financial Aid Award Letter

A student receives the award letter below for one academic year. The published cost of attendance is $29,800.

Award	Amount
Federal Pell Grant	$5,820
KEES scholarship	$1,800
Institutional scholarship	$6,000
Federal Work-Study	$1,800
Direct Subsidized Loan	$3,500
Direct Unsubsidized Loan	$2,000
Total package	**$20,920**

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19) *Use the award letter to answer this question.*

The cost of attendance is $29,800 and the Pell Grant is $5,820. How much of this aid package is gift aid?

(A) $20,920 (B) $13,620
(C) $19,120 (D) $15,420

20) *Use the award letter to answer this question.*

With $29,800 in attendance costs and a $6,000 scholarship, what is the net price after all gift aid?

(A) $29,800 (B) $16,180
(C) $8,880 (D) $13,620

21) *Use the award letter to answer this question.*

For $29,800 in attendance costs, if the student takes both loans and earns the full $1,800 work-study award, what funding gap remains for the year?

(A) $8,880 (B) $16,180
(C) $14,380 (D) $10,680

22) A retiree withdraws money from a Roth account, having met the qualifying rules. What tax is owed on the withdrawal?

(A) A flat penalty regardless of age
(B) None, because the money was taxed before it went in
(C) Ordinary income tax on the whole withdrawal
(D) Ordinary income tax on the growth only

23) Hana Sato, who lives in Paducah, 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 $1,000 ahead
(D) Offer A comes out $3,000 ahead

24) A student finds an account on her credit report that she never opened. Which law gives her the right to dispute it?

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

25) A covered $3,400 loss is subject to a $750 deductible. The policy pays the rest with no other limits or cost sharing. How much does the insurer pay?

(A) $3,400
(B) $4,150
(C) $2,650
(D) $750

26) A non-exempt worker earning $18 an hour is paid every two weeks. She works 50 hours in the first week and 30 hours in the second. What is her gross pay for the period?

(A) $1,530
(B) $1,440
(C) $1,620
(D) $1,350

27) A Kentucky parent asks how the state taxes KY Saves 529, the Kentucky 529 plan. Which statement is correct?

(A) Contributions are fully deductible on the Kentucky return
(B) Earnings are taxed at 3.5% when withdrawn for college
(C) No deduction for deposits, but qualified earnings are tax free
(D) Only families under an income limit may open an account