HIGH SCHOOL

# MAINE 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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## 400 Original Questions

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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.

## Maine facts (2026)

- State income tax: 5.8% to 7.15%, plus a 2% surtax on taxable income above $1,000,000 for single filers starting in 2026.
- Minimum wage: $15.10 an hour; employers may pay tipped workers a cash wage of $7.55 if tips make up the difference.
- Statewide sales tax 5.5% (Maine has no local sales taxes).
- Minimum auto liability 50/100/25.
- State 529 college savings plan: NextGen 529.
- A state student-aid program: Maine State 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 Maine 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.

18) What does an investor get by buying a company's bond instead of its stock?

(A) Part ownership of the company with voting rights
(B) A guarantee of earning more than the company's stockholders
(C) A loan to the company that pays interest, not a share of ownership
(D) Deposit insurance on the amount invested

19) Which of these has historically carried both the highest risk and the highest long-run expected return?

(A) A government bond fund
(B) A certificate of deposit
(C) A federally insured savings account
(D) A broad stock fund

20) How does a loan origination fee affect the cost of borrowing?

(A) It is added to the interest rate but left out of the APR
(B) It is refunded when the loan is paid on time
(C) It is charged only if the borrower repays the loan early
(D) It raises the total cost, which is why the APR is higher than the interest rate

21) Leah Brown of Caribou saves through MaineSaves at 5% of her $40,000 salary. Her account automatically raises her contribution rate by 1 percentage point each year. If her salary stays the same, how much will she contribute in year 3?

(A) $2,000
(B) $2,400
(C) $2,800
(D) $4,000

22) Aiko is saving $6,000 for a down payment she will make in exactly 2 years. A high-yield savings account pays 4.00% APY, but the rate can change at any time. A 2-year CD pays a fixed 3.90% APY. Many forecasters expect savings rates to fall soon. Which statement is correct?

(A) The CD locks in 3.90% for both years, so if savings rates drop below that, the CD will likely earn more
(B) The savings account is sure to earn more, because 4.00% is higher than 3.90%
(C) The CD is riskier, because she could lose part of her $6,000 deposit
(D) The savings account's 4.00% is locked in for two years once she opens it

23) In Biddeford, Rosa Delgado's health insurer denies a claim for a treatment her doctor says is medically necessary. What is usually her best next step?

(A) File an internal appeal with her doctor's supporting letter, then ask for an external review if it is still denied
(B) Pay the bill in full, because an insurer's denial is final
(C) Stop paying her premiums until the insurer pays the claim
(D) Wait for the insurer to review the claim again at renewal time

24) Gross pay for the period is $1,280.00 with no pre-tax deductions. What is the Social Security withholding?

(A) $7.94 (B) $18.56
(C) $97.92 (D) $79.36

25) Aaliyah Brooks lives and works in Maine after earning her degree. She pays $3,600 on her student loans this year. For this question, Maine's Student Loan Repayment Tax Credit covers loan payments up to $2,500 a year. What is her net cost of the year's loan payments after the credit?

(A) $0 (B) $1,100
(C) $2,500 (D) $3,600

26) Eliana Cohen of Auburn can repay a car loan in 36 payments of $480 or in 60 payments of $310. How much more will she pay in total with the 60-month loan?

(A) $170 (B) $6,120
(C) $18,600 (D) $1,320

27) When does a conventional mortgage usually require private mortgage insurance (PMI)?

(A) When the buyer pays cash for the whole home
(B) When the home is in an area with no property tax
(C) When the down payment is less than 20% of the home's price
(D) When the down payment is more than 20%

28) A checking account is overdrawn by $6.50 and the bank charges $32 per item on 2 small purchases before the deposit lands. What do the purchases cost in fees?

(A) $77.00 (B) $57.50
(C) $64.00 (D) $32.00

29) In Waterville, 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

30) Ravi Menon, a Presque Isle resident, buys three things and the printer runs out of ink part way down the receipt.

| Tallgrass Outfitters | receipt | Amount |
|---|---|---|
| a set of pencils | | $22.30 |
| work gloves | | $6.25 |
| a phone case | | $44.20 |
| **Subtotal** | | **$72.75** |
| Sales tax at 5.5% | | _____ |
| **Total** | | _____ |

Assume only the Maine statewide sales tax of 5.5% applies. What should the total at the bottom be?

(A) $72.81 (B) $76.75
(C) $4.00 (D) $72.75

31) A card has a balance of $680 and a credit limit of $2,500. What is the credit utilization?

(A) 27.2% (B) 367.6%
(C) 2.72% (D) 21.4%

32) Inside his traditional IRA, an investor sells a fund for a $2,000 gain and uses all the money to buy a different fund in the same IRA. What federal tax does this create for the year?

(A) None; tax is owed only when money is withdrawn from the IRA
(B) Capital gains tax on the $2,000 gain
(C) Ordinary income tax on the $2,000 gain
(D) The 10% additional tax for moving money early

33) Anika Sharma reviews the retirement plan statement below.

| Castellano Tile retirement plan | Anika Sharma | 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 Anika defer from pay this year?

(A) $24,500 (B) $15,800
(C) $8,700 (D) $8,290