HIGH SCHOOL

MARYLAND PERSONAL FINANCE



FULL-LENGTH PRACTICE TESTS

400 Original Questions

with Step-by-Step Explanations and a Quick Review

Reza Nazari

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10 FULL-LENGTH MARYLAND PERSONAL FINANCE PRACTICE TESTS

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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.

Maryland facts (2026)

- State income tax: 2% to 6.5% plus county income tax.
- Minimum wage: $15.00 an hour; employers may pay tipped workers a cash wage of $3.63 if tips make up the difference.
- Statewide sales tax 6% (Maryland has no local sales taxes).
- Minimum auto liability 30/60/15.
- State 529 college savings plan: Maryland 529.
- A state student-aid program: Howard P. Rawlings Educational Excellence Awards.

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 Maryland 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) Hiroshi Tanaka, a Cambridge resident, will keep a phone only as long as it gets security updates. A new phone costs $650 and should get updates for 5 more years. A certified refurbished phone of an older model costs $420 and should get updates for 2 more years. Based on cost per year of use, which is the better value?

(A) The refurbished phone, since it costs $230 less up front
(B) The new phone, at $130 a year versus $210 a year
(C) The refurbished phone, at about $84 a year
(D) The refurbished phone, at $140 a year

18) A family in Ocean City owns a home near the bay and has a standard homeowners policy. A tropical storm is forecast for next week. What should they know about flood coverage?

(A) Their homeowners policy already covers storm-surge flooding
(B) Flood needs a separate policy, and a new policy usually does not take effect until after a 30-day waiting period
(C) They can buy flood insurance today and be covered for next week's storm
(D) Only renters need flood insurance

19) Why do many states, including Maryland with its 33% small-loan rate cap, cap the fees on payday loans or ban them?

(A) Borrowers are never required to repay them
(B) Their fees often equal very high APRs, which can trap borrowers in repeat loans
(C) They are banned everywhere by federal law
(D) They lower credit scores because every payment is reported

20) Ahmed is an hourly, non-exempt worker at a private company. He works 46 hours this workweek, and his manager offers him 6 hours of paid time off next month instead of overtime pay. What does federal law generally require?

(A) Overtime pay of at least 1.5 times his regular rate for the 6 hours over 40 in the workweek
(B) The swap is legal as long as Ahmed agrees to it in writing
(C) The swap is legal as long as he gets the same 6 hours back as time off
(D) No overtime is owed unless he works more than 80 hours in the two-week pay period

21) Tomas Rivera charges about $1,200 a month on a card with a $2,000 limit and pays the full statement balance on the due date every month. A credit-monitoring app shows his utilization at about 60%. Which change would most likely lower the utilization that is reported?

(A) Keeping the same habit, since paid-in-full balances are reported as $0
(B) Asking the issuer to move his due date later in the month
(C) Paying most of the balance before the statement closing date
(D) Paying only the minimum so more of his limit stays unused

22) Which pairing of an action with its risk-management strategy is correct?

(A) Installing smoke detectors – transfer
(B) Deciding not to buy a motorcycle because of its crash risk – avoidance
(C) Paying for small phone repairs from savings – avoidance
(D) Buying renters insurance – retention

23) How are the payments on an amortized installment loan, such as a car loan, split over time?

(A) Early payments are mostly interest, and later payments are mostly principal
(B) Every payment is interest only, and the principal is due at the end
(C) Every payment is split exactly half interest and half principal
(D) Early payments are mostly principal, and later payments are mostly interest

24) A landlord in Silver Spring rents an apartment for $1,650 a month. Maryland law now limits a security deposit to one month's rent. What is the largest deposit the landlord can require?

(A) $3,300
(B) $1,650
(C) $2,475
(D) $825

25) The federal income tax takes a larger percentage of income as income rises. What kind of tax is this?

(A) A progressive tax
(B) A regressive tax
(C) A proportional (flat) tax
(D) An excise tax

26) Priya Raghunathan, who lives in Cambridge, buys three things and the printer runs out of ink part way down the receipt.

Rincon Market	**receipt**	**Amount**
a travel mug		$22.30
a wall calendar		$6.25
a tension rod		$52.75
Subtotal		**$81.30**
Sales tax at 6%		_____
Total		_____

Assume only the Maryland statewide sales tax of 6% applies. What should the total at the bottom be?

(A) $86.18
(B) $81.30
(C) $81.36
(D) $4.88

27) What is the goal of a SIM-swap attack?

(A) To copy your credit card into the thief's mobile wallet
(B) To track your phone's location through its GPS
(C) To take over your phone number so the thief can receive your login codes
(D) To put a virus on your phone that reads your text messages

28) Which of these is the strongest single indicator that a call is a scam?

(A) Pressure to act within the next ten minutes
(B) A caller ID that shows your bank's name
(C) A caller who already knows your account balance and asks you to confirm it
(D) A demand for payment in gift cards

29) Siobhan O'Neill, who lives in Cumberland, reviews the retirement plan statement below.

Castellano Tile retirement plan	Siobhan O'Neill	Amount
Employee deferral, year to date		$18,200
Employer match, year to date		$9,100
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 Siobhan defer from pay this year?

(A) $18,200
(B) $6,300
(C) $24,500
(D) $5,890

30) Aaliyah Brooks, an Easton resident, finds concert tickets for sale from a stranger online. The seller asks to be paid through a person-to-person payment app instead of by card. Why is this riskier than paying by credit card?

(A) Payment apps charge higher interest than credit cards on the amount sent
(B) A credit card payment is harder for scammers to track, so her identity stays private
(C) App payments take several weeks to arrive, so the seller may cancel the sale
(D) Payments she authorizes to a stranger through such apps are usually hard to reverse and often lack purchase protection, while a credit card purchase can be disputed

31) Jordan cosigns a friend's car loan. The friend stops making payments. What is Jordan's likely obligation?

(A) Jordan can cancel the cosigning within 30 days of the missed payment
(B) Jordan can be required to pay the full remaining balance
(C) Jordan owes only half of the remaining balance
(D) Jordan owes nothing because the loan was already funded