HIGH SCHOOL

MASSACHUSETTS 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.
- 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.

Massachusetts facts (2026)

- State income tax: 5% (plus a 4% surtax on very high incomes).
- Minimum wage: $15.00 an hour.
- Statewide sales tax 6.25% (there is no local sales tax on most purchases).
- Minimum auto liability 25/50/30.
- State 529 college savings plan: U.Fund College Investing Plan.
- A state student-aid program: MASSGrant.

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 Massachusetts 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.

14) Lena Novak, who lives in Gloucester, receives the monthly checking statement below. The maintenance fee is waived for accounts that receive a direct deposit, and this institution's own machines are free to use.

Third Coast Savings	Lena Novak	Amount
Beginning balance		$612.40
Deposits		$1,930.25
Withdrawals and card purchases		$2,008.45
Monthly maintenance fee		$5.00
Out-of-network ATM fees	$3 \times \$3.00$	$9.00
Ending balance		**$520.20**

What would the ending balance have been with the direct deposit set up and no out-of-network withdrawals?

(A) $534.20
(B) $520.20
(C) $529.20
(D) $525.20

15) Priya Shah is buying a used car from a private seller for $6,500. The seller will not accept a personal check and wants payment that is guaranteed when the title is signed over. Which payment best meets the seller's request?

(A) A personal check, since it will clear within a few days
(B) A single money order for the full $6,500
(C) A payment-app transfer sent the week before, to hold the car
(D) A cashier's check for $6,500 drawn on her bank

16) A graphic designer leaves a salaried job to freelance full time, earning about $4,000 a month with no taxes withheld by clients. Which new habit matters most for her taxes?

(A) Waiting to pay all her tax in April, since freelancers are not charged penalties
(B) Filing a return only if a client sends her a W-2
(C) Setting aside part of each payment and making quarterly estimated tax payments
(D) Asking each client to withhold Social Security from her payments

17) Tomas Rivera of Lowell borrows a $3,500 Direct Subsidized Loan and a $2,000 Direct Unsubsidized Loan for his first year of college, both at 6.52%. He makes no payments during 4 years of school. Using simple interest, how much interest builds up on these first-year loans by graduation?

(A) $1,434.40
(B) $130.40
(C) $0.00
(D) $521.60

18) Under the federal "primary beneficiary" test, which situation makes an unpaid internship at a for-profit company most likely to be a job that should be paid?

(A) The intern does the same tasks as paid staff with little training, and the company depends on that work
(B) The internship is tied to a course and earns academic credit at the intern's school
(C) The intern mostly shadows experienced workers and practices new skills under supervision
(D) The internship lasts one summer and comes with no promise of a job afterward

19) Gross pay is $845.00 with $49.00 of federal income tax withheld, no pre-tax deductions, and no state or local income-tax withholding. What is net pay?

(A) $796.00
(B) $666.72
(C) $731.36
(D) $780.36

20) Imani Carter of Worcester earns $52,000 a year. Her employer adds 50 cents for every dollar she puts into her 401(k), on contributions up to 6% of pay. She now contributes 4% of pay. How much more employer money would she receive in a year by raising her contribution to 6%?

(A) $1,560
(B) $520
(C) $1,040
(D) $3,120

21) Siobhan O'Neill, who lives in Barnstable, sells flooring for a monthly base of $2,450.00 plus 3% commission on sales above a quota of $30,000. Last month Siobhan sold $44,300. What was the total pay for the month?

(A) $2,450.00
(B) $3,779.00
(C) $2,879.00
(D) $429.00

22) A saver's 12-month CD matured three weeks ago. The bank mailed a notice saying the CD would renew automatically unless she acted within a 10-day grace period, but she ignored it. What has most likely happened?

(A) The money was moved into her checking account when the CD matured
(B) It keeps earning its old rate with no set term, so she can withdraw anytime
(C) The bank closed the CD and mailed her a check for the balance
(D) It renewed into a new 12-month CD at the bank's current rate, so taking the money out now may cost an early withdrawal penalty

23) Which item is a want rather than a need?

(A) Basic groceries
(B) A required phone line
(C) Transport to work
(D) An upgraded phone handset

24) A part-time worker's pay stub shows 32 regular hours for the week, but her own record of shifts shows she worked 36 hours. What should she do first?

(A) Wait for her W-2 in January, since pay errors are corrected at tax time
(B) Assume the missing 4 hours were held back to cover taxes
(C) Ignore it, because net pay matters more than the hours listed
(D) Compare the stub with her timesheet and promptly report the difference to payroll or her manager

25) Malik Johnson, who lives in Salem, reviews the retirement plan statement below.

Willow Creek Day Camp retirement plan	**Malik Johnson**	**Amount**
Employee deferral, year to date		$15,800
Employer match, year to date		$7,900
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 Malik defer from pay this year?

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

26) Marcus carries a $1,500 credit card balance at 21% APR and makes no new purchases. Using a monthly rate of APR ÷ 12, how much of his next $50 payment actually reduces the balance?

(A) $50.00
(B) $26.25
(C) $35.00
(D) $23.75

27) A worker's employer match vests 20% after 2 years of service, 40% after 3, 60% after 4, 80% after 5, and 100% after 6. She leaves after exactly 4 years. Her account holds $8,000 from her own contributions and $5,000 from the employer match, including earnings. How much can she keep?

(A) $12,000
(B) $13,000
(C) $11,000
(D) $10,000

28) An emergency fund holds $3,970. Essential monthly costs are $1,925 and total monthly spending is $2,406. How many months of cover does the fund provide?

(A) 0.5 months
(B) 330.8 months
(C) 1.7 months
(D) 2.1 months