HIGH SCHOOL

MICHIGAN 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.

Michigan facts (2026)

- State income tax: flat 4.25%.
- Minimum wage: $13.73 an hour ($15.00 from January 1, 2027).
- Statewide sales tax 6% (Michigan has no local sales taxes).
- Michigan is a no-fault state. Policies default to 250/500 bodily injury limits; a driver may choose in writing limits as low as 50/100.
- State 529 college savings plan: Michigan Education Savings Program (MESP).
- A state student-aid program: Michigan Achievement 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 Michigan 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.

Scan Me

17) Grace Okafor, a Traverse City resident, moves a $4,000 card balance to a new card with 0% APR on transfers for 15 months and a 3% transfer fee added to the balance. She makes no new charges and pays $250 a month. How much will she still owe when the 15-month promotion ends?

(A) $250 (B) $120
(C) $370 (D) $620

18) Ethan Nguyen, 16, is claimed as a dependent by his parents. He earned $5,000 at a summer job, and $180 of federal income tax was withheld. He is not required to file a return. Why might he file anyway?

(A) Filing gets back the Social Security and Medicare taxes withheld from his pay
(B) He must file to keep his parents from losing him as a dependent
(C) Filing is the only way to report the $5,000 to Social Security
(D) Filing lets him get back the $180 of federal income tax withheld, since he owes none

19) Diego Herrera of Midland buys a camera from an out-of-state website. His order confirmation is below.

Order confirmation	**Amount**
Camera	$240.00
Shipping	$0.00
Sales tax	$0.00

Michigan charges a 6% use tax on items bought for use in Michigan when no Michigan sales tax was collected, and residents report it on the MI-1040. How much use tax does Diego owe on this purchase?

(A) $14.40 (B) $0.00
(C) $10.20 (D) $24.00

20) Tenzin Dorje receives the electric bill below.

Cascade Electric Cooperative	**monthly bill**	**Amount**
Electricity used		880 kWh
Energy charge at $0.14 per kWh		$123.20
Monthly service charge		$18.40
Amount due		**$141.60**

If next month's use falls by 150 kWh and nothing else changes, what will the amount due be?

(A) $99.60 (B) $117.46
(C) $120.60 (D) $102.20

21) A checking account is overdrawn by $6.50 and the bank charges $34 per item on 3 small purchases before the deposit lands. How much is charged in overdraft fees for the 3 purchases?

(A) $121.50
(B) $102.00
(C) $34.00
(D) $95.50

22) An apartment rents for $1,100. Moving in requires first month's rent, a deposit of one month, $90 in application fees, $240 for a year of renters insurance, $150 in utility deposits, and $275 for the move. What is the total, as a multiple of the rent?

(A) 2.69 months
(B) 1.69 months
(C) 1.34 months
(D) 2 months

23) An employee earning $45,000 can choose a permanent 4% raise or a one-time $2,000 bonus now. She plans to stay 3 more years and expects no other raises. Ignoring taxes and interest, which choice pays more over the 3 years?

(A) The bonus, since $2,000 is more than the $1,800 raise
(B) The raise, worth $3,600 over the 3 years
(C) The raise, worth $5,400 over the 3 years
(D) Neither, since both equal about 4% of her salary

24) A household budgets $400 a month for groceries, but actual spending over the last three months was $470, $455, and $480. The rest of the budget is fully assigned. Which adjustment makes the budget most realistic?

(A) Keep groceries at $400 and try harder next month
(B) Raise groceries to about $470 and change nothing else
(C) Raise groceries to about $470 and lower another category by about $70 so the budget still balances
(D) Drop the grocery category and pay for food from whatever is left

25) 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

26) 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

27) Fatima Al-Mansouri, a Marquette resident, is paid the same gross amount every period at Kestrel Bicycle Works. The earnings statement below is for the current period.

Kestrel Bicycle Works	Fatima Al-Mansouri	Amount
Gross pay, this period		$742.50
Gross pay, year to date		$9,652.50
Federal income tax, this period		$58.00
Social Security, this period		$46.04
Medicare, this period		$10.77
Net pay, this period		$627.69

How many pay periods has Fatima been paid so far this year?

(A) 13 (B) 26

(C) 14 (D) 12

28) An email that looks like it is from your bank asks you to click a link and confirm your password. What should you do?

(A) Do not click; contact the bank using its official number or website

(B) Click the link to check whether it is real

(C) Call the phone number listed in the email to check

(D) Forward it to friends as a warning

29) A tenant falls two months behind on rent. Before the landlord can force the tenant to move out, what must the landlord usually do?

(A) Change the locks that night while the tenant is out

(B) Remove and sell the tenant's belongings right away

(C) Ask the police to remove the tenant without a court order

(D) Give the notice required by state law and win an eviction case in court

30) Theo Brennan, a Midland resident, wants to buy a stock, but only if its price falls to $45 or less. Which kind of order fits his plan?

(A) A limit order to buy at $45

(B) A market order, which will fill at exactly $45

(C) A stop-loss order at $45

(D) A dividend reinvestment order