HIGH SCHOOL

MINNESOTA 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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Effortless Math Education Inc

Published by Effortless Math Education

EffortlessMath.com

ISBN: 979-8-90703-670-3

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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. Minnesota law sets overtime after 48 hours, but employers covered by federal law must pay overtime after 40; questions here use the 40-hour rule.
- 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.

Minnesota facts (2026)

- State income tax: graduated, 5.35% to 9.85%.
- Minimum wage: $11.41 an hour.
- Statewide sales tax 6.875% (local taxes can add more).
- Minimum auto liability 30/60/10.
- State 529 college savings plan: Minnesota College Savings Plan.
- A state student-aid program: North Star Promise.

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 Minnesota 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.

17) In February 2027, a worker realizes he made no IRA contribution for 2026, though he had enough earned income that year. Which statement is correct?

(A) He cannot, because the 2026 deadline was December 31, 2026
(B) He can, and he may also make up any earlier years he skipped
(C) He can, at any time during 2027
(D) He can still make a 2026 contribution until the tax filing deadline in April 2027

18) A student uses pay-in-four buy-now-pay-later plans for shoes, a jacket, and concert tickets in the same month, with each plan set to take automatic payments from her debit account every two weeks. What is the biggest risk of this approach?

(A) Each plan charges a high APR on the full purchase from the first day
(B) The overlapping payments can add up faster than she expects and overdraw her account or trigger late fees
(C) She cannot return any item bought with a buy-now-pay-later plan
(D) The plans lower her credit score as soon as each purchase is made

19) Aaliyah Freeman waits tables at a diner in Minnesota and is paid the state minimum wage of $11.41 an hour. Last week Aaliyah worked 22 hours and reported $238.90 in tips. What were the gross earnings for the week?

(A) $251.02
(B) $238.90
(C) $489.92
(D) $370.47

20) How can a nonprofit credit counseling agency help someone with credit card debt?

(A) By filing for bankruptcy on the person's behalf to erase the debts
(B) By paying off the debts with its own money
(C) By removing accurate late payments from a credit report
(D) By creating a budget and possibly a debt management plan with lower interest rates

21) A shopper orders a $240 desk online with his credit card. The charge appears on his statement, but the desk never arrives and the seller stops answering his messages. Which step gives him the strongest federal protection?

(A) Send the card issuer a written dispute within 60 days after the statement with the charge was sent
(B) Keep paying the full balance and wait for the seller to reply before contacting the issuer
(C) Stop paying the whole credit card bill until the desk finally arrives
(D) Report the charge to a credit bureau so it is removed from his credit report

22) Minnesota caps consumer short-term loans at 36% APR, or up to 50% only if the lender checks the borrower's ability to repay. Tariq Hassan of Winona borrows $600 for 3 months from a licensed lender that does not check his ability to repay and charges no other fees. Using simple interest, what is the most it may charge?

(A) $216.00
(B) $75.00
(C) $54.00
(D) $18.00

23) Camila Reyes, a Worthington resident, is paid the same gross amount every period at Tobin & Reyes Accounting. The earnings statement below is for the current period.

Tobin & Reyes Accounting	Camila Reyes	Amount
Gross pay, this period		$1,045.60
Gross pay, year to date		$7,319.20
Federal income tax, this period		$58.00
Social Security, this period		$64.83
Medicare, this period		$15.16
Net pay, this period		$907.61

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

(A) 7
(B) 6
(C) 8
(D) 26

24) Why does a certificate of deposit (CD) usually pay a higher rate than a regular savings account?

(A) CDs are insured for a higher amount than savings accounts
(B) The saver agrees to leave the money for a set term
(C) CDs invest in stocks
(D) CDs are not insured

25) A SMART savings goal is specific, measurable, achievable, relevant, and what else?

(A) Time-bound, with a target date
(B) Tied to your income level
(C) Totally flexible, with no fixed amount
(D) Tracked by a financial advisor

26) Nora Lindqvist of Moorhead bought fund shares at $50 each. Over the year each share paid $1.50 in distributions, and the share price is now $54. What was her total return for the year?

(A) 11%
(B) 8%
(C) 3%
(D) 10.2%

27) Fresh strawberries sell for $15.00 for a 6-pound club pack or $7.50 for a 2-pound pack. A family eats about 2 pounds before the berries spoil, and the rest is thrown away. Which purchase is the better buy for this family?

(A) The 2-pound pack, because it costs $7.50 for the berries they eat instead of $15.00
(B) The 6-pound pack, because its price per pound is $1.25 lower
(C) The 6-pound pack, because it saves $7.50 compared with three small packs
(D) The 2-pound pack, because smaller packages have a lower price per pound

28) Mei Tan of Duluth, a dentist, injures her hand and can no longer do dental work, but she is able to work full time as a lecturer at a dental school. Her long-term disability policy defines disability as being unable to perform the duties of "any occupation for which you are reasonably suited by education and training." What is the most likely result?

(A) Benefits are likely denied, because she can still work in another suitable occupation
(B) Benefits are paid, because she can no longer do her own job as a dentist
(C) Benefits are paid, but only for the first 90 days after the injury
(D) Benefits are denied, because hand injuries are excluded from most disability policies

29) Fatima Al-Mansouri, a Brainerd resident, compares three sizes of laundry detergent on the shelf.

Shelf tags: laundry detergent	**Price**
8-ounce size	$2.34
20-ounce size	$4.84
50-ounce size	$13.10

Which size costs the least per ounce?

(A) The 8-ounce size
(B) The 20-ounce size
(C) The 50-ounce size
(D) All three cost the same per ounce

30) Maya, 24 and healthy, expects about $300 of covered medical care next year and has $3,000 in savings. Plan A costs $180 a month with a $500 deductible. Plan B costs $110 a month with a $2,500 deductible. If her care stays at $300, which plan costs less for the year, counting premiums and what she pays for care?

(A) Plan B, by $840
(B) Plan A, by $1,160
(C) Plan B, by $70
(D) They cost the same, because she pays $300 either way