HIGH SCHOOL

# MONTANA 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.

**Montana facts (2026)**

- State income tax (single filer, 2026): 4.7% on the first $47,500 of taxable income and 5.65% above that, starting from federal taxable income.
- Minimum wage: $10.85 an hour (for businesses with sales over $110,000).
- Montana has no general sales tax.
- Minimum auto liability 25/50/20.
- State 529 college savings plan: Achieve Montana.
- A state student-aid program: Montana Tuition Assistance Program (Baker 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 Montana 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) Why can keeping long-term savings entirely in a low-interest cash account be risky?

(A) Inflation can reduce the money's purchasing power over time
(B) Cash accounts can lose value if the stock market falls
(C) Inflation always raises account balances automatically
(D) Banks limit savings accounts to $1,000

18) Rania Haddad waits tables at a taqueria in Montana and is paid the state minimum wage of $10.85 an hour. Last week Rania worked 26 hours and reported $238.90 in tips. What were the gross earnings for the week?

(A) $238.90
(B) $282.10
(C) $401.55
(D) $521.00

19) Priya Raghunathan, who lives in Glendive, 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 7% | | _____ |
| **Total** | | _____ |

Montana has no general sales tax, but this purchase is made on a trip to a city where the combined state and local sales tax is 7%. What should the total at the bottom be?

(A) $81.37
(B) $81.30
(C) $5.69
(D) $86.99

20) Hail dents the hood and roof of Tyler Janssen's car in Billings, and the repair estimate is $2,850. His auto policy's declarations page shows the coverages below.

| **Coverage** | **Limit or deductible** |
|---|---|
| Liability | 25/50/20 |
| Collision | $1,000 deductible |
| Comprehensive (other than collision) | $250 deductible |
| Rental reimbursement | Not purchased |

Hail damage is paid under comprehensive coverage. How much will the insurer pay for the repair?

(A) $1,850
(B) $0
(C) $2,600
(D) $2,850

21) Diego Alvarez, a Livingston resident, compares two printers. Printer A costs $79 and its ink costs about $0.08 per page. Printer B costs $229 and its refillable ink costs about $0.01 per page. He prints about 1,500 pages a year and plans to keep the printer 3 years. Which printer has the lower total cost over the 3 years, and by how much?

(A) Printer A, by $150
(B) Printer B, by $165
(C) Printer A, by $45
(D) Printer B, by $315

22) Which factor usually raises a young driver's auto insurance premium?

(A) A recent speeding ticket
(B) Completing a driver education course
(C) Good grades
(D) Choosing a higher deductible

23) Amara Okafor, who lives in Butte, is a software architect whose wages year to date are $180,400. The next semimonthly check is $8,200.00 of gross pay. Using the reference figures for 2026, what is the Social Security withholding on that check?

(A) $508.40
(B) $627.30
(C) $118.90
(D) $254.20

24) Farah Siddiqui, a full-time degree student, receives a $14,000 scholarship that does not require her to work. She uses it to pay $10,500 of tuition and required fees, $900 of books required for her courses, and $2,600 of room and board. How much of the scholarship is taxable income?

(A) $0
(B) $3,500
(C) $11,400
(D) $2,600

25) A teacher has $38,000 of taxable income, all within the 12% federal bracket even after any contribution. She puts $3,000 of her pay into a traditional 403(b) through payroll. About how much does this reduce her federal income tax for the year?

(A) $3,000
(B) $589.50
(C) $360
(D) $660

26) Ayesha Rahman, 32, has two young children and a tight budget. She wants $750,000 of life insurance to protect her family until the children finish school in about 20 years. Which choice best fits her need?

(A) A whole life policy, because it costs less for the same death benefit
(B) A 20-year term life policy
(C) A 5-year term life policy, because it has the lowest premium
(D) Only her employer's group life policy, because it always follows her to new jobs

27) Factory workers lose their jobs when their plant replaces assembly work with robots. What type of unemployment is this?

(A) Cyclical unemployment
(B) Structural unemployment
(C) Frictional unemployment
(D) Seasonal unemployment

28) Which password practice best protects your online banking account?

(A) Use the same strong password for every account
(B) Use one complex password and add the site's name to the end for each account
(C) Use a long, unique passphrase for each account, stored in a password manager
(D) Change a short password every week so thieves cannot guess it

29) Two checking accounts are offered at the same credit union. One charges no monthly fee if a direct deposit arrives each month; the other charges none if a $1,500 balance is kept at all times. Which is the safer choice for someone paid twice a month with a thin cushion?

(A) The direct-deposit account, because the condition is met by the paycheck itself
(B) The minimum-balance account, because the fee applies only if the month ends below the minimum
(C) The minimum-balance account, because a balance is easier to control than a deposit
(D) Either; the two conditions are equally easy to meet

30) Omar Haddad leaves his job with $10,000 in a traditional 401(k). He asks for a check made out to himself, so the plan withholds 20% and mails him $8,000. He wants to roll the money into a traditional IRA so that none of it is taxed. What must he deposit into the IRA within 60 days?

(A) $8,000, the amount of the check he received
(B) $7,500, because the IRA contribution limit caps a rollover
(C) $10,000, using $2,000 of other savings to replace the withholding
(D) $8,000 now and the withheld $2,000 within one year

31) A borrower is reviewing a personal loan offer before signing. Which feature of the offer is the clearest warning sign of a predatory lender?

(A) The lender checks her credit report before approving her
(B) The lender shows the APR and total cost in writing first
(C) The lender lets her pay off the loan early with no penalty
(D) The lender asks her to sign with the payment amount left blank

32) In Montana, the minimum auto liability limits are 25/50/20. What does the middle figure mean?

(A) $50,000 of bodily injury coverage for all people hurt in one crash
(B) A $50,000 deductible
(C) $50,000 of coverage for damage to property
(D) $50,000 of coverage for any one injured person