HIGH SCHOOL

NEW JERSEY PERSONAL FINANCE

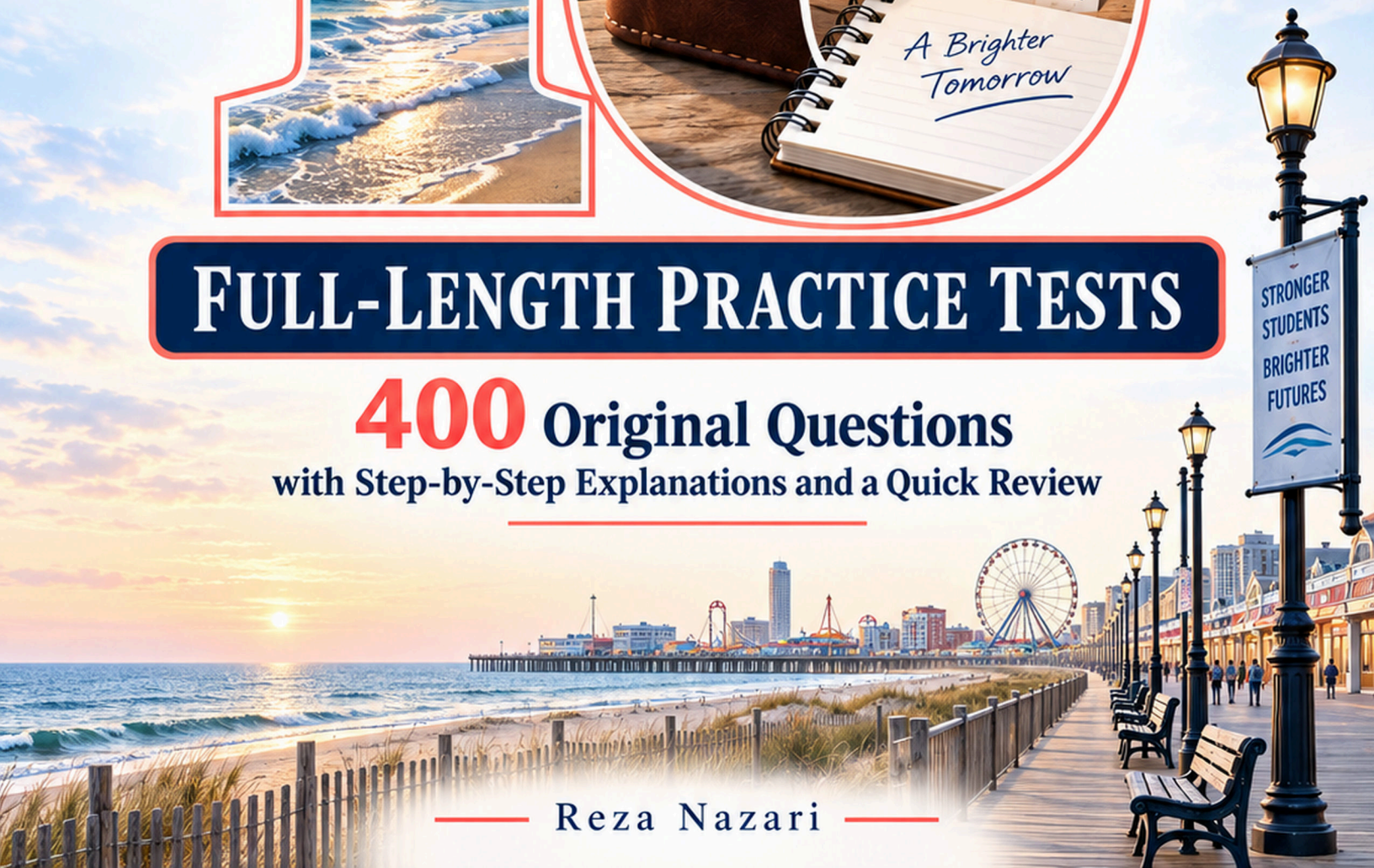




FULL-LENGTH PRACTICE TESTS

400 Original Questions

with Step-by-Step Explanations and a Quick Review



Reza Nazari

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10 FULL-LENGTH NEW JERSEY PERSONAL FINANCE PRACTICE TESTS

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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.

New Jersey facts (2026)

- State income tax: graduated, 1.4% to 10.75%. Workers also pay 2026 payroll contributions of 0.19% for Temporary Disability Insurance and 0.23% for Family Leave Insurance on wages up to $171,100.
- Minimum wage: $15.92 an hour.
- Statewide sales tax 6.625% (New Jersey has no general local sales tax).
- Minimum auto liability 35/70/25 (standard policy; a lower-limit basic policy is also sold).
- State 529 college savings plan: NJBEST 529.
- A state student-aid program: Tuition Aid Grant (TAG).

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 New Jersey 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) Rafael Ortiz of Vineland elected $2,400 for his health FSA through a cafeteria plan, so the money avoided federal income tax at 22% and FICA at 7.65%. By the deadline he spent only $1,900 on eligible expenses, and his plan has no carryover or grace period. Compared with paying the $1,900 from after-tax pay with no FSA, how did the FSA work out? Ignore state taxes.

(A) He came out behind by $500
(B) He came out ahead by about $711.60
(C) He came out ahead by about $211.60
(D) He came out ahead by about $28

18) Why does a car loan usually carry a lower interest rate than a credit card?

(A) The car usually gains value over time, which protects the lender
(B) It is secured by collateral the lender can repossess
(C) Credit cards are not regulated
(D) Car buyers have higher credit scores

19) A grandfather gave $5,000 to his 10-year-old granddaughter, Lily, by depositing it in a custodial (UTMA/UGMA) account. Lily's mother is the custodian. Her mother now wants to use $2,000 of it to repair her own car. Which statement is correct?

(A) The money legally belongs to Lily, so the custodian may spend it only for Lily's benefit
(B) The custodian controls the account, so she may use it for any family expense
(C) The grandfather can take the money back and give it to Lily's mother
(D) She may use it as long as she repays it before Lily turns 18

20) Nikolai Petrov of Morristown has $14,000 to invest. An index fund charges an expense ratio of 0.03%; an actively managed fund charges 0.85%. If his balance stays near $14,000, about how much more would the active fund cost him in one year?

(A) $119.00
(B) $4.20
(C) $114.80
(D) $1,148.00

21) Insurance has a negative expected value for the buyer. When is buying it still the better decision?

(A) When the premiums you pay will total more than any claim you make
(B) When the loss would be large enough that you could not absorb it
(C) When the premium is the lowest available
(D) Whenever the coverage is offered

22) New Jersey taxes capital gains as ordinary income, with no lower rate for long-term gains. Omar Haddad of Fort Lee sells stock held for five years at a $5,000 gain, and his income is in the 6.37% New Jersey bracket. How much New Jersey tax does the gain add?

(A) $0
(B) $159.25
(C) $70.00
(D) $318.50

23) Yusuf Demir receives the electric bill below.

Rio Valley Power monthly bill	Amount
Electricity used	620 kWh
Energy charge at \$0.14 per kWh	\$86.80
Monthly service charge	\$12.75
Amount due	**\$99.55**

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

(A) \$65.80
(B) \$75.47
(C) \$57.55
(D) \$78.55

24) A savings account pays 3.5% while inflation runs 3.4%. What is happening to the purchasing power of the balance?

(A) falling about 0.1%
(B) rising 3.5%
(C) rising 6.9%
(D) rising about 0.1%

25) Malik Johnson, an Atlantic City resident, is choosing between two 30-year fixed-rate mortgages for the same loan amount. Option 1 has no points and a monthly principal-and-interest payment of \$1,650. Option 2 costs \$4,200 in discount points at closing and has a payment of \$1,580. He expects to sell the home in about 4 years. Which option fits his plan better, and why?

(A) Option 2, because its payment is \$70 lower every single month
(B) Option 2, because it saves \$25,200 over the full 30 years
(C) Option 1, because the points take 60 months to pay back and he plans to stay about 48 months
(D) Option 1, because paying points raises the interest rate on a loan

26) Evan's employer matches 401(k) contributions up to 5% of pay, but Evan contributes nothing. How is this best described?

(A) He is giving up free money for his retirement
(B) He is lowering his income tax bill as much as possible
(C) He is avoiding a required bank fee
(D) He is increasing his take-home pay by 5% over the long run

27) Maya, 22, starts her first 401(k) in 2026 and expects to retire around age 67, in about 2071. Her plan offers target-date funds labeled 2026, 2030, 2050, and 2070. Which fund best fits her?

(A) The 2030 fund, since its smaller share of stocks makes it safest for a beginner
(B) The 2026 fund, since it matches the year she starts investing
(C) Any of them, since all target-date funds hold the same mix
(D) The 2070 fund

28) Tenzin Dorje of Jersey City invests $150 in a total-market index fund, which permits fractional shares, on the same day of each month for three months. The share price was $30, then $50, then $25. What was the average cost per share actually paid?

(A) $35.00
(B) $50.00
(C) $30.00
(D) $32.14

29) A paid-off card is closed while another card still carries a balance. Why might the credit score fall soon afterward?

(A) The score drops whenever any balance reaches zero
(B) A paid-off balance is reported as a loss to the lender
(C) Closing an account is recorded as a missed payment
(D) The closure removes an available credit limit and may raise utilization

30) What is a card skimmer hidden on an ATM or gas pump designed to do?

(A) Place a hold on your account for the expected fuel cost
(B) Steal card information when you swipe or insert your card
(C) Verify that the card is not expired or reported stolen
(D) Read the chip so that the card cannot be copied

31) A covered $3,400 loss is subject to a $750 deductible. The policy pays the rest with no other limits or cost sharing. How much does the insurer pay?

(A) $4,150
(B) $2,650
(C) $750
(D) $3,400

32) A delivery driver uses a new routing app and completes 30 deliveries in a shift instead of 24. What has increased?

(A) Productivity, the output per hour of work
(B) Inflation
(C) The unemployment rate
(D) Opportunity cost

33) Deshawn Porter, who lives in Jersey City, is buying a home and will wire $24,000 for closing. Two days before closing, an email that appears to come from the title company says the wiring instructions have changed and gives a new account number. What should he do before sending money?

(A) Call the title company at a phone number he already had, not one from the email, to confirm the instructions
(B) Send the wire, since the email includes his correct closing date and address
(C) Reply to the email and ask whether the new instructions are correct
(D) Send the wire and ask his bank to reverse it if something goes wrong