HIGH SCHOOL NEW MEXICO PERSONAL FINANCE



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.

New Mexico facts (2026)

- State income tax: graduated, 1.5% to 5.9%.
- Minimum wage: $12.00 an hour; employers may pay tipped workers a cash wage of $3.00 if tips make up the difference.
- New Mexico has no traditional sales tax. Its gross receipts tax (4.875% state rate plus local rates) is charged to sellers and usually passed on to buyers.
- Minimum auto liability 25/50/10.
- State 529 college savings plan: The Education Plan.
- A state student-aid program: Legislative Lottery 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 New Mexico 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

Use the information below. Then answer questions 16–18.

Credit Card Statement

A cardholder receives the statement below. No new purchases were made during the period.

Statement	Amount
Previous balance	$1,880.00
Credit limit	$5,000
Annual percentage rate	22.99%
Payments and credits	$0.00
Minimum payment due	_____

16) *Use the credit card statement to answer this question.*

At 22.99% APR, what is one month's finance charge on the $1,880.00 card balance?

(A) $36.02 (B) $18.80
(C) $1.18 (D) $432.21

17) *Use the credit card statement to answer this question.*

At 22.99% APR on this $1,880.00 balance, the card requires the greater of $35 or the interest plus 1% of the balance. What is the minimum payment?

(A) $37.60 (B) $35.00
(C) $36.02 (D) $54.82

18) *Use the credit card statement to answer this question.*

The statement lists a $1,880.00 balance, a $5,000 limit, and 22.99% APR. What is the utilization?

(A) 266% (B) 3.76%
(C) 27.3% (D) 37.6%

19) Malik Johnson, who lives in Hobbs, is offered a $89.00 protection plan on a treadmill costing $1,150.00. About 10% of these machines need the covered repair within the plan's term, and that repair costs $180.00. What is the expected cost of the repair without the plan?

(A) $115.00 (B) $18.00
(C) $180.00 (D) $89.00

20) Keisha Grant, an Alamogordo resident, overdraws her checking account about 3 times a month, each on a different day. With standard overdraft coverage, her bank charges $34 per overdraft. If she links her savings account instead, the bank moves money over for a $10 fee per transfer. If her goal is to keep purchases going through at the lowest cost, which should she pick, and what does she save per month?

(A) The linked savings account, saving $4 a month
(B) The linked savings account, saving $72 a month
(C) The linked savings account, saving $24 a month
(D) Opting out of all coverage, saving $102 a month

21) Thabo Molefe of Las Vegas invests $150 in an S&P 500 index fund, which permits fractional shares, on the same day of each month for three months. The share price was $25, then $20, then $50. What was the average cost per share actually paid?

(A) $50.00
(B) $25.00
(C) $31.67
(D) $27.27

22) What is the key feature of a balloon loan?

(A) Smaller regular payments followed by one large final payment
(B) Equal payments that pay the loan off completely by the end
(C) A large down payment followed by smaller regular payments
(D) Payments that rise a little every year until the loan is paid off

23) Buying renters insurance is an example of which risk-management strategy?

(A) Retaining risk
(B) Transferring risk to an insurance company
(C) Avoiding risk
(D) Reducing risk

24) A driver causes $62,000 in covered property damage to someone else. The driver's liability policy has a $40,000 property-damage limit and no applicable deductible. How much remains beyond that limit?

(A) $62,000
(B) $40,000
(C) $22,000
(D) $102,000

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

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

26) Gloria plans to retire at 60. Her employer offers no retiree health coverage, and she expects to begin Social Security at 62. What should her retirement budget include?

(A) No health insurance costs, since Medicare starts when she retires
(B) Health insurance premiums from 60 until she becomes eligible for Medicare, generally at 65
(C) Health premiums only from 60 to 62, since Medicare starts with Social Security
(D) No medical costs after 65, since Medicare covers everything for free

27) What secures a secured credit card?

(A) The title to your car
(B) A cosigner's promise to pay
(C) The value of your home
(D) A cash deposit, which often equals the credit limit

28) Hiroshi Tanaka, who lives in Alamogordo, has a self-only high-deductible health plan and has put $900 into a health savings account so far this year. The employer has also deposited $300 into the same account. Using the reference figures for 2026, how much room is left for the year?

(A) $3,500
(B) $7,550
(C) $3,200
(D) $4,400

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

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

30) Rafael gets a phone call from someone who says he is an IRS agent. The caller says Rafael owes back taxes and will be arrested today unless he pays right away with gift cards. What should Rafael do?

(A) Pay with gift cards to avoid arrest, then ask for a refund if it was a mistake
(B) Give the caller his Social Security number to confirm the debt is his
(C) Hang up; the IRS does not demand payment by gift card or threaten immediate arrest, and it usually contacts people by mail first
(D) Call back the number the caller gives him to check the claim

31) Which public program provides temporary income for workers who lose a job through no fault of their own?

(A) Medicaid
(B) Social Security retirement benefits
(C) Unemployment insurance
(D) Medicare