HIGH SCHOOL

NEW YORK

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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10 FULL-LENGTH NEW YORK PERSONAL FINANCE PRACTICE TESTS

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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 ÷ 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 York facts (2026)

- State income tax: graduated, 3.9% to 10.9%.
- Minimum wage: $16.00 an hour (outside New York City, Long Island, and Westchester, where it is $17.00).
- Statewide sales tax 4%; every county or city adds local tax (combined 8.875% in New York City), and clothing and footwear under $110 an item are exempt from the state rate.
- Payroll deductions (2026): Paid Family Leave 0.432% of gross wages, up to $411.91 a year; disability insurance 0.5% of wages, up to $0.60 a week.
- Minimum auto liability 25/50/10 (50/100 for death), plus required no-fault personal injury protection of $50,000 and uninsured motorist coverage.
- State 529 college savings plan: New York's 529 College Savings Program.
- A state student-aid program: Tuition Assistance Program (TAP).

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 York 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 → $\$588 \div 6 = \$98$/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.

4 Investing

Risk and return, funds, and retirement accounts

4.1 Risk, return, and diversification

Stock	a share of ownership; higher expected return, higher risk
Bond	a loan to a company or government; pays interest
Mutual fund / ETF	many investments in one; built-in diversification
Index fund	tracks a market index at low cost

Diversification spreads money across many investments so one loss hurts less. A longer time horizon lets an investor ride out swings.

Watch out: higher expected returns generally require accepting greater risk; a promise of guaranteed high returns is a red flag.

15) Ben Oyelaran of Elmira wants freelancing to replace his $45,000 salary. He expects 1,200 billable hours a year, since the rest of his work time goes to marketing and paperwork, and $6,000 a year of business expenses. Before taxes, what hourly rate must he charge?

(A) $37.50
(B) $24.52
(C) $21.63
(D) $42.50

16) 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

17) Federal law treats some 529 withdrawals for private K–12 tuition as qualified. Michael O'Brien of Garden City, who has deducted his contributions to New York's 529 plan, withdraws money to pay his son's private high school tuition. How does New York treat the withdrawal?

(A) As fully qualified, exactly as under federal law
(B) As nonqualified, so he must add back the New York deductions he took on the money withdrawn
(C) As a loan that must be repaid to the plan
(D) As qualified only if the school is in New York

18) How often may a consumer obtain a credit report from each of the nationwide credit bureaus at no charge?

(A) Only after being turned down for credit
(B) Once a week from each of the three, at AnnualCreditReport.com
(C) Only by paying a monitoring service each month
(D) Never; reports are released only to lenders

19) Diego Herrera, who lives in Ithaca, is offered a $109.00 protection plan on a snowblower costing $860.00. About 8% of these machines need the covered repair within the plan's term, and that repair costs $395.00. What is the expected cost of the repair without the plan?

(A) $395.00
(B) $68.80
(C) $109.00
(D) $31.60

20) Ahmed is an hourly, non-exempt worker at a private company. He works 46 hours this workweek, and his manager offers him 6 hours of paid time off next month instead of overtime pay. What does federal law generally require?

(A) The swap is legal as long as Ahmed agrees to it in writing
(B) The swap is legal as long as he gets the same 6 hours back as time off
(C) Overtime pay of at least 1.5 times his regular rate for the 6 hours over 40 in the workweek
(D) No overtime is owed unless he works more than 80 hours in the two-week pay period

21) What happens if you make extra payments toward the principal of an installment loan?

(A) You can reduce the total interest paid, if the loan has no prepayment penalty
(B) The extra money is applied only to next month's interest
(C) The monthly payment drops right away on every loan
(D) The lender must refund the interest you already paid

22) Which pairing of an action with its risk-management strategy is correct?

(A) Installing smoke detectors – transfer
(B) Paying for small phone repairs from savings – avoidance
(C) Buying renters insurance – retention
(D) Deciding not to buy a motorcycle because of its crash risk – avoidance

23) Monthly net pay is $2,740. Under the 50/30/20 guideline, what is the target for wants?

(A) $548
(B) $1,370
(C) $82
(D) $822

24) According to a common guideline, how large should an emergency fund be?

(A) Nothing, if you have a credit card with a high limit
(B) One week of take-home pay
(C) Three to six months of essential living expenses
(D) The amount of one monthly rent payment

25) Kevin Tran has an unpaid bill from a hospital in Syracuse. Under New York law, may the hospital report the medical debt to the credit bureaus?

(A) Yes, as soon as the bill is 30 days late
(B) No; New York bars hospitals and other health care providers from reporting medical debt to credit reporting agencies
(C) Yes, but only if the bill is over $500
(D) Only after the hospital sues and wins

26) A cardholder with a clean payment record forgets her credit card payment and pays it 10 days after the due date. Which outcome is most likely?

(A) A 30-day late mark is reported immediately and her score drops sharply
(B) A penalty APR is applied at once to her whole existing balance
(C) A late fee is likely, but the payment usually is not reported to the credit bureaus as late until it is 30 days past due
(D) The account is closed and the balance is sent to a collection agency

27) Elena earns $5,000 a month. Her long-term disability policy pays 60% of monthly earnings after a 3-month elimination period. An injury keeps her out of work for 6 months. How much does she receive in total disability benefits for this period?

(A) $9,000
(B) $18,000
(C) $15,000
(D) $6,000

28) How does a debt in collections affect a person's credit?

(A) It does not appear on credit reports
(B) It is a negative item that can lower the credit score for years
(C) It is removed as soon as the debt is sold
(D) It lowers the score only for the month it is reported

29) Market interest rates rise suddenly by one percentage point. Which of these bond funds, all holding high-quality bonds, would most likely see the largest drop in price?

(A) A fund whose bonds average about 2 years to maturity
(B) A fund whose bonds average about 6 years to maturity
(C) A money market fund holding bonds that mature within weeks
(D) A fund whose bonds average about 20 years to maturity

30) In Watertown, Carlos Mendoza's house would cost $300,000 to rebuild, but he insures it for only $180,000. His policy has an 80% coinsurance clause and a $1,000 deductible. A kitchen fire causes $40,000 of covered damage. Using the common coinsurance formula, how much does the insurer pay?

(A) $39,000
(B) $23,000
(C) $29,000
(D) $30,000

31) Aaliyah Johnson of Jamestown wants a $1,200 laptop. At checkout, a buy-now-pay-later option offers 12 monthly payments of $116.98 at 29.99% APR. How much extra would she pay by financing instead of paying the $1,200 price up front?

(A) $203.76
(B) $0
(C) $359.88
(D) $116.98

32) New York's usury limits bar car title loans. Travis Whitfield, who has moved to Missouri, a state that allows them, takes an $800 car title loan due in 30 days with a $200 fee. He cannot repay the full $1,000, so for three months in a row he pays only the $200 fee to roll the loan over. After the third rollover payment, what is his situation?

(A) He has paid $600 in fees and now owes only $200
(B) He has paid $200 in fees and still owes $800
(C) He has paid $600 in fees and still owes the full $800
(D) He has paid $600 in fees and owes nothing more