HIGH SCHOOL

PENNSYLVANIA PERSONAL FINANCE



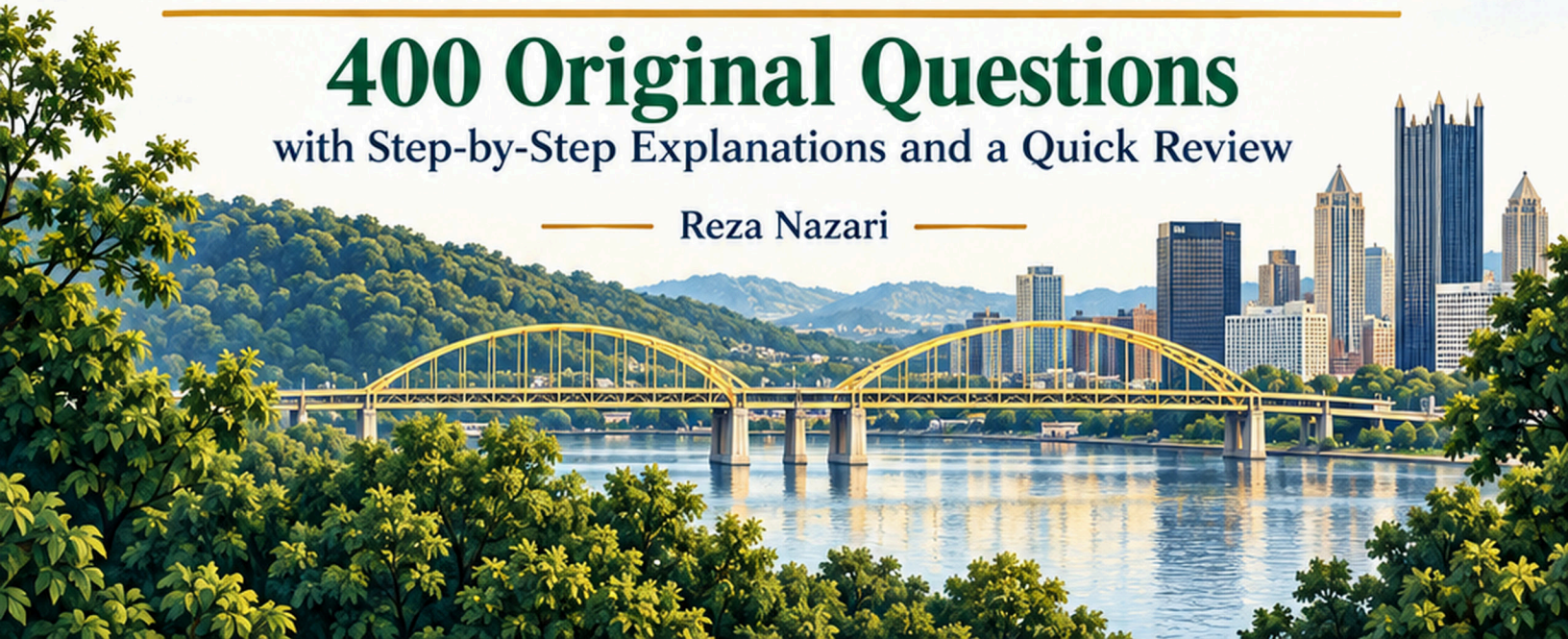


10 FULL-LENGTH PRACTICE TESTS

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.

Pennsylvania facts (2026)

- State income tax: flat 3.07% plus local earned income tax.
- Minimum wage: $7.25 an hour (the federal rate).
- Statewide sales tax 6% (7% in Allegheny County and 8% in Philadelphia); most clothing is exempt.
- Minimum auto liability 15/30/5, plus $5,000 of first-party medical benefits.
- State 529 college savings plan: PA 529 College and Career Savings Program.
- A state student-aid program: PA State 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 Pennsylvania 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.

16) 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 2070 fund
(C) The 2026 fund, since it matches the year she starts investing
(D) Any of them, since all target-date funds hold the same mix

17) Leilani Kahale, who lives in Johnstown, uses the debt snowball method. She pays the minimums on a store card ($25 minimum), a credit card ($60 minimum), and a car loan ($310 minimum), plus $150 extra on the store card. Once the store card is paid off, how much should she pay each month on the credit card?

(A) $210
(B) $235
(C) $60
(D) $175

18) Jasmine hits a deer on a rural road, causing $3,200 of damage to her car. Which part of her auto policy usually pays for the repair?

(A) Comprehensive coverage
(B) Collision coverage
(C) Liability coverage
(D) Medical payments coverage

19) Pennsylvania's small-loan rate caps keep payday lenders out of the state, so a borrower who needs $1,000 might use a licensed consumer installment lender instead. Kofi Mensah of Harrisburg borrows $1,000 for 12 months at 24% APR, with 12 monthly payments of $94.56. What is the total finance charge?

(A) $134.72
(B) $240.00
(C) $94.56
(D) $1,134.72

20) Jamal Carter of Pittsburgh, 30, needs $300,000 of life insurance while his children are young. A 20-year term policy costs $25 a month. A whole life policy for the same amount costs $260 a month. Over the 20 years, how much more would he pay in premiums for whole life?

(A) $4,700
(B) $56,400
(C) $62,400
(D) $2,820

21) Nikolai Petrov and Wei Chen rent an apartment for $1,750 a month. They agree that Nikolai pays 58% of the rent for the larger bedroom and that utilities of $195.00 are split evenly. What does Nikolai owe for the month?

(A) $972.50
(B) $1,112.50
(C) $1,128.10
(D) $1,015.00

22) Ravi Menon, who lives in Scranton, buys three things and the printer runs out of ink part way down the receipt.

Fairgrounds Hardware	**receipt**	**Amount**
a tension rod		$22.30
a phone case		$6.25
a travel mug		$52.75
Subtotal		**$81.30**
Sales tax at 6%		_____
Total		_____

Assume only the Pennsylvania statewide sales tax of 6% applies. What should the total at the bottom be?

(A) $86.18
(B) $4.88
(C) $81.36
(D) $81.30

23) Theo Lindqvist owns a home, has $900,000 in savings and investments, and has a backyard pool and a teenage driver. His auto and homeowners liability limits are each $300,000. Which step most cost-effectively protects his assets from a lawsuit judgment of more than $1,000,000?

(A) Buy a personal umbrella policy of at least $1,000,000
(B) Lower the deductibles on his auto and homeowners policies
(C) Raise the collision and comprehensive coverage on his cars
(D) Raise the dwelling coverage on his homeowners policy

24) Jamal stops making payments on his car loan. What can the lender often do in most states?

(A) Have him arrested for the missed payments
(B) Garnish his wages right away without going to court
(C) Repossess the car only after the entire loan term ends
(D) Repossess the car without a court hearing, as long as it does not breach the peace

25) Rosa Delgado's online cart totals $42. The store offers $10 off orders of $50 or more, so she adds a $12 item she had not planned to buy. Compared with checking out as planned, how does her spending change?

(A) She saves $10
(B) She spends $12 more
(C) She saves $2
(D) She spends $2 more

26) Which habit best protects an online bank account?

(A) Logging in only through links in the bank's emails
(B) Changing a short password every month
(C) Using a strong, unique password with two-factor authentication
(D) Using the same password on every site

27) Rafael Castillo, a Pittsburgh resident, settles a $5,000 credit card debt by paying $2,000, and the card company forgives the other $3,000. Besides the effect on his credit report, what other cost might he face?

(A) He must pay tax on the full $5,000 original balance
(B) The forgiven $3,000 may count as taxable income unless an exception, such as insolvency, applies
(C) He can deduct the $2,000 he paid from his taxable income
(D) None, because forgiven debt is never treated as income

28) Amara Okafor of Allentown waits tables at a cafe and is paid a cash wage of $5.40 an hour. Last week Amara worked 34 hours and reported $238.90 in tips. What were the gross earnings for the week?

(A) $238.90
(B) $422.50
(C) $183.60
(D) $303.05

29) Ravi Menon invests $300 in a target-date 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) $30.00
(B) $35.00
(C) $50.00
(D) $32.14

30) A savings account pays 2% interest in a year when inflation is 3%. What is the approximate real return?

(A) About −1%
(B) About 5%
(C) About 2%
(D) About 1%

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

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