HIGH SCHOOL

TEXAS 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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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.

Texas facts (2026)

- State income tax: none.
- Minimum wage: $7.25 an hour (the federal rate).
- Statewide sales tax 6.25% (local taxes can add more).
- Minimum auto liability 30/60/25.
- State 529 college savings plan: Texas College Savings Plan.
- A state student-aid program: TEXAS 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 Texas 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.

18) Chloe Nguyen has 70% of her 401(k) in her employer's stock because she believes in the company. What is the biggest risk of this choice?

(A) If the company struggles, she could lose her job and much of her savings at the same time
(B) None, since she knows the company better than any other stock
(C) None, since 401(k) balances are covered by FDIC insurance
(D) Only that employer stock charges a higher expense ratio than funds

Use the information below. Then answer questions 19–21.

A Monthly Budget

The budget below covers one month. Net pay is $2,720. Car insurance is billed at $588 every six months. The monthly sinking-fund amount is left blank for you to find.

Budget line	**Amount**
Rent	$925
Utilities	$118
Phone	$45
Gas and transit	$165
Groceries	$330
Car payment	$320
Car insurance (monthly set-aside)	_____
Needs total	**$2,001**
Wants total	$260
Left for saving	_____

19) *Use the monthly budget to answer this question.*

In this $2,720 net-pay budget, what monthly set-aside covers the $588 six-month insurance premium?

(A) $196.00
(B) $98.00
(C) $49.00
(D) $588

20) *Use the monthly budget to answer this question.*

In this $2,720 net-pay budget with $925 rent, what share goes to needs?

(A) 73.6%
(B) 7.36%
(C) 135.9%
(D) 9.6%

21) *Use the monthly budget to answer this question.*

After $2,001.00 in needs and $260 in wants, how much of the $2,720 net pay remains for saving?

(A) $719.00
(B) $544.00
(C) $260
(D) $459.00

22) Property taxes collected by a county are most often used to pay for what?

(A) Local services such as public schools and roads
(B) Social Security retirement benefits
(C) National defense and federal highways
(D) The Federal Reserve

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

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

24) Imani is in a minor car crash with no injuries. Which action best protects her ability to file a smooth insurance claim?

(A) Wait several weeks to get repair estimates before contacting her insurer
(B) Photograph the scene, exchange insurance information, and report the claim promptly
(C) Agree to pay the other driver cash and never tell her insurer
(D) Leave without exchanging details because the damage looks small

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

26) Brenda Kim of Plano owns a home worth $350,000 and owes $190,000 on her mortgage. The Texas Constitution limits a home equity loan so that it plus all other debt on the homestead cannot exceed 80% of the home's fair market value. What is the largest home equity loan she can take?

(A) $160,000
(B) $280,000
(C) $90,000
(D) $128,000

27) Rachel Adams, who lives in Amarillo, expects to stay at her next job about 2 years and will contribute 6% of a $50,000 salary either way. Offer A matches 6% of pay with three-year cliff vesting. Offer B matches 4% of pay with immediate vesting. If she leaves after 2 years, which offer leaves her with more employer money, and how much?

(A) Offer A, $6,000
(B) Offer A, $4,000
(C) Offer B, $4,000
(D) Offer B, $2,000

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

29) Daniela, age 23, is graduating from college. Her new part-time job does not offer health insurance, and her parent has family coverage through an employer plan that offers dependent coverage. Which option is usually available to her?

(A) Staying on her parent's plan only while she is a full-time student
(B) Staying on her parent's plan only until she turns 21
(C) Staying on her parent's plan only if she lives in her parent's home
(D) Staying on her parent's plan as a dependent until she turns 26

30) On a production possibilities curve, what does a point inside the curve show?

(A) The most efficient use of resources
(B) Resources are not being fully or efficiently used
(C) Production that is impossible with current resources
(D) Economic growth

31) Why is national defense usually paid for with taxes instead of sold to individual buyers?

(A) It is produced by a monopoly for profit
(B) It is a private good that only some people use
(C) It is too expensive for any business to produce
(D) It is a public good: people cannot easily be excluded from it once it is provided