HIGH SCHOOL

VERMONT

PERSONAL FINANCE

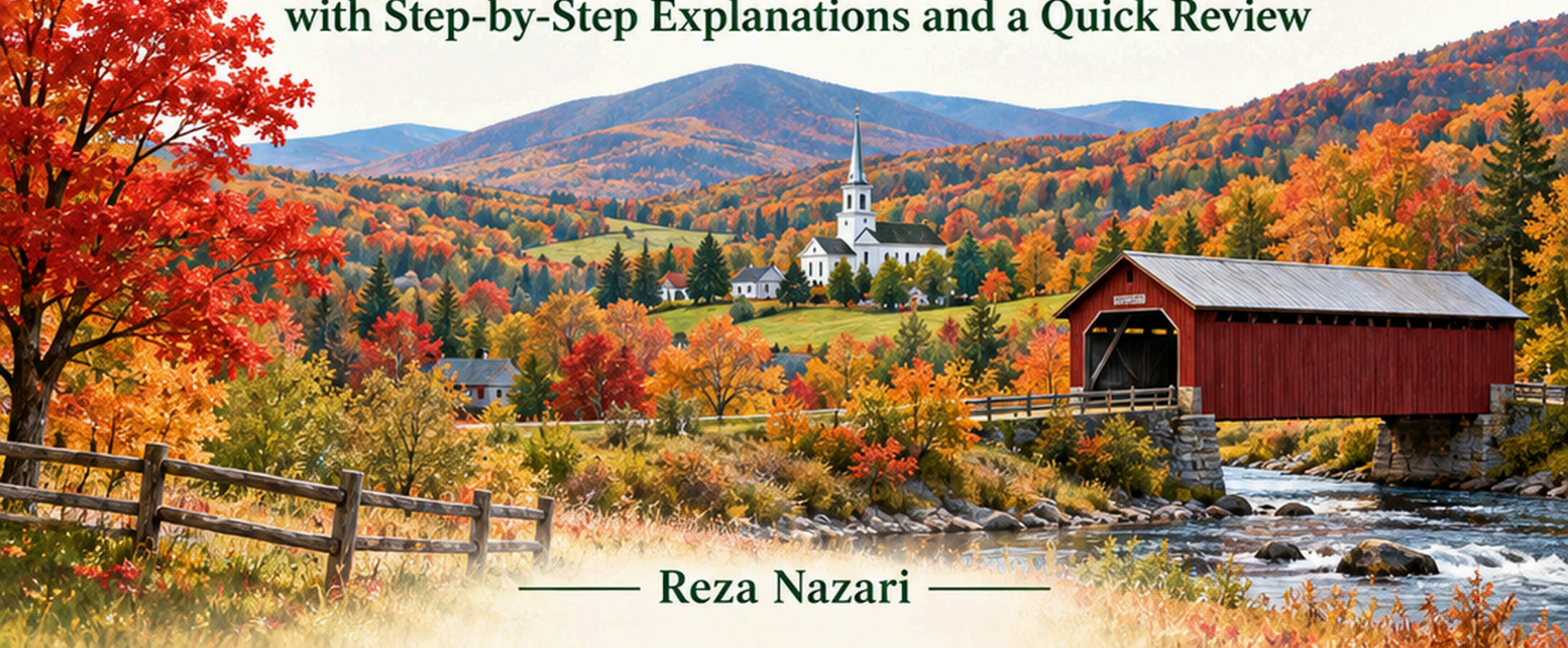
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FULL-LENGTH PRACTICE TESTS

400 Original Questions

with Step-by-Step Explanations and a Quick Review



Reza Nazari

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10 FULL-LENGTH VERMONT 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.

Vermont facts (2026)

- State income tax: graduated, 3.35% to 8.75%.
- Minimum wage: $14.42 an hour.
- Statewide sales tax 6% (local taxes can add more).
- Minimum auto liability 25/50/10.
- State 529 college savings plan: VT529 (the Vermont Higher Education Investment Plan).
- A state student-aid program: Vermont Grants (VSAC).

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 Vermont 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.

Scan Me

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.

13) Ingrid Larsen, a Brattleboro resident, sells hearing aids for a monthly base of $2,800.00 plus 5% commission on sales above a quota of $30,000. Last month Ingrid sold $38,200. What was the total pay for the month?

(A) $4,710.00
(B) $410.00
(C) $3,210.00
(D) $2,800.00

14) What does the saving strategy “pay yourself first” mean?

(A) Saving only your tax refund each year
(B) Moving a set amount into savings as soon as you are paid, before spending
(C) Paying off every debt before putting anything into savings
(D) Spending on wants first and saving whatever is left

15) Which source of financial advice is most likely to be objective?

(A) A bank employee who recommends the bank’s own funds
(B) A fee-only adviser who does not earn commissions on products sold
(C) A salesperson paid a commission on each policy
(D) An adviser recommended on a popular financial podcast

16) Camila Reyes, who lives in White River Junction, invests $150 in a target-date fund, which permits fractional shares, on the same day of each month for three months. The share price was $25, then $15, then $30. What was the average cost per share actually paid?

(A) $25.00
(B) $21.43
(C) $30.00
(D) $23.33

17) What is the main purpose of the security deposit a tenant pays when signing an apartment lease?

(A) It is extra rent that the landlord always keeps
(B) It replaces the need for renters insurance
(C) It is the first month’s rent paid in advance
(D) It protects the landlord against unpaid rent or damage beyond normal wear and tear

18) Ingrid Larsen, who lives in St. Albans, compares three sizes of dog food on the shelf.

Shelf tags: dog food	**Price**
16-pound size	$4.67
40-pound size	$10.08
80-pound size	$22.40

Which size costs the least per pound?

(A) All three cost the same per pound
(B) The 16-pound size
(C) The 80-pound size
(D) The 40-pound size

19) What is a home equity line of credit (HELOC)?

(A) A revolving line of credit secured by the equity in a home
(B) An unsecured payday loan
(C) A second mortgage paid out as one lump sum at a fixed rate
(D) A reverse mortgage that pays older homeowners a monthly income

20) Assume investments grow about 7% a year, so money roughly doubles every 10 years. Ava invests $10,000 once at age 25. Ben invests $20,000 once at age 35. Neither adds more money. At age 65, how do their balances compare?

(A) Ben has about twice as much, since he invested twice as much
(B) Ava has about four times as much, since she started 10 years earlier
(C) About the same, roughly $160,000 each
(D) Ben has about $10,000 more, since both grow at the same rate

21) A worker's employer match vests 20% after 2 years of service, 40% after 3, 60% after 4, 80% after 5, and 100% after 6. She leaves after exactly 4 years. Her account holds $8,000 from her own contributions and $5,000 from the employer match, including earnings. How much can she keep?

(A) $11,000
(B) $12,000
(C) $13,000
(D) $10,000

22) Eliana Cohen is single, earns $96,000 in wages in 2026, and takes the standard deduction. Using the reference bracket table, what share of total income goes to federal income tax?

(A) 12.8%
(B) 15.4%
(C) 7.7%
(D) 22%

23) Hana Sato expects to stay at her next job exactly 2 years and will always contribute enough to get the full match. Offer A pays $50,000 with a 3% match that vests immediately. Offer B pays $51,000 with a 6% match that vests only after 3 years of service. Counting salary plus match money she gets to keep, how do the offers compare over her 2 years?

(A) Offer A comes out $1,000 ahead
(B) Offer B comes out $5,120 ahead
(C) Offer B comes out $2,000 ahead
(D) Offer A comes out $3,000 ahead

24) Why is the APR useful when comparing loan offers?

(A) It shows the total dollar cost of the loan over its life
(B) It combines the interest rate and certain fees into one yearly rate
(C) It is the rate earned including compounding, like an APY
(D) It leaves out all fees, so it shows only the interest rate

25) Marisol Vega, who lives in Montpelier, is offered a salaried, overtime-exempt job paying $83,200 a year. Current employees say the job usually takes 50 hours a week, all 52 weeks of the year counting paid time off. What is her effective pay per hour actually worked?

(A) $40.00 per hour
(B) $41.60 per hour
(C) $29.09 per hour
(D) $32.00 per hour

26) Besides liability coverage, which coverage must every Vermont auto policy include?

(A) Collision coverage
(B) Comprehensive coverage
(C) Uninsured and underinsured motorist coverage
(D) Rental car reimbursement

27) Approximately what share of a FICO score comes from amounts owed, including utilization?

(A) 10%
(B) 15%
(C) 35%
(D) 30%

28) Money that will be needed in about eighteen months is usually held

(A) in a single company's shares
(B) wherever last year's return was highest
(C) in cash or short-term savings, where the value does not move much
(D) mostly in stocks, for the higher expected return

29) Siobhan O'Neill of Montpelier has a credit card with a 21.99% APR. After a payment arrives 60 days late, the card applies a 29.99% penalty APR to her $2,400 balance. About how much more interest is charged each month at the penalty rate?

(A) $16.00
(B) $59.98
(C) $192.00
(D) $43.98

30) Keisha Grant of Barre has a chronic condition and expects to reach her plan's out-of-pocket maximum every year, all with in-network care. Plan A costs $120 a month with an $8,000 out-of-pocket maximum. Plan B costs $310 a month with a $3,500 out-of-pocket maximum. Which plan should cost her less for the year, and by how much?

(A) Plan A, by $2,280
(B) Plan B, by $2,220
(C) Plan B, by $4,500
(D) Plan B, by $4,310

31) Sofia Moreno of Bennington works full time as a freelance graphic designer and has no employer. Which statement about her retirement saving options is correct?

(A) Tax-advantaged retirement accounts are offered only through employers
(B) She can open her own IRA, and self-employment plans such as a SEP IRA also exist
(C) She can open a retirement plan only after she hires employees
(D) Social Security is the only retirement plan open to her