HIGH SCHOOL

WASHINGTON PERSONAL FINANCE



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 WASHINGTON 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.

Washington facts (2026)

- State income tax: none on wages (capital gains tax only).
- Minimum wage: $17.13 an hour.
- Statewide sales tax 6.5% (local taxes can add more).
- Minimum auto liability 25/50/10.
- State 529 college savings plan: DreamAhead College Investment Plan.
- A state student-aid program: Washington College 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 Washington 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.

19) In Longview, Keisha Morgan's target mix is 70% stocks and 30% bonds. After a strong year her stocks are worth $17,000 and her bonds $5,000. What trade brings her back to the target mix?

(A) Move about $3,000 from stocks to bonds
(B) Move about $1,600 from bonds to stocks
(C) Leave it alone, because stocks are doing well
(D) Move about $1,600 from stocks to bonds

20) Kwame Asante, an Olympia resident, wants the best rate on a car loan, so he applies with a bank, a credit union, and an online lender within 10 days. How are these hard inquiries most likely to affect his credit score?

(A) Each application lowers his score separately, so he should apply to only one lender
(B) Scoring models usually count several auto-loan inquiries in a short window as a single inquiry
(C) They have no effect at all, because loan applications are soft inquiries
(D) They lower his score only if all three lenders approve him

21) What is the first step in building a personal financial plan?

(A) Pick investments
(B) Figure out current income, spending, assets, and debts
(C) Buy insurance for every risk
(D) Open a new credit card to build credit

22) Ravi Menon starts a warehouse picker job that pays every other Friday. How many paychecks is that in a full year?

(A) 26 (B) 12
(C) 52 (D) 24

23) Which of these is the strongest single indicator that a call is a scam?

(A) A caller ID that shows your bank's name
(B) A caller who already knows your account balance and asks you to confirm it
(C) A demand for payment in gift cards
(D) Pressure to act within the next ten minutes

24) What does an investor get by buying a company's bond instead of its stock?

(A) Part ownership of the company with voting rights
(B) A loan to the company that pays interest, not a share of ownership
(C) A guarantee of earning more than the company's stockholders
(D) Deposit insurance on the amount invested

25) $320 has already been spent repairing a phone, and it has failed again. What should that $320 count for in deciding whether to repair it once more?

(A) It should be added to the cost of a replacement
(B) It argues for repairing, to avoid wasting what was spent
(C) It argues for replacing, to stop the losses
(D) Nothing — it cannot be recovered either way

26) Nikolai Petrov of Longview is paid the same gross amount every period at Willow Creek Day Camp. The earnings statement below is for the current period.

Willow Creek Day Camp	Nikolai Petrov	Amount
Gross pay, this period		$742.50
Gross pay, year to date		$5,197.50
Federal income tax, this period		$67.00
Social Security, this period		$46.04
Medicare, this period		$10.77
Net pay, this period		$618.69

How many pay periods has Nikolai been paid so far this year?

(A) 7 (B) 8
(C) 6 (D) 26

27) Anika Sharma, a Moses Lake resident, is offered a $109.00 protection plan on a laptop costing $940.00. About 5% of these machines need the covered repair within the plan's term, and that repair costs $240.00. What is the expected cost of the repair without the plan?

(A) $109.00 (B) $240.00
(C) $12.00 (D) $47.00

28) Priya Shah of Tacoma reviews her credit report before applying for an apartment. Which item on it would hurt her credit score the most?

(A) A soft inquiry from a job application
(B) A card with a $0 balance
(C) A card payment reported 60 days late last year
(D) Her address history

29) Jamal Carter lists what his family would need if he died, and what he already has.

Life insurance worksheet	Amount
Pay off the mortgage	$180,000
Replace income: $30,000 a year for 10 years	?
College fund	$50,000
Savings already set aside	$40,000
Group life insurance through work	$100,000

Ignoring investment growth and inflation, how much additional coverage does he need?

(A) $390,000
(B) $530,000
(C) $490,000
(D) $120,000

30) Nikolai Petrov and Wei Chen rent an apartment for $1,810 a month. They agree that Nikolai pays 58% of the rent for the larger bedroom and that utilities of $204.00 are split evenly. What does Nikolai owe for the month?

(A) $1,049.80
(B) $1,007.00
(C) $1,168.12
(D) $1,151.80

31) What do credit card balance transfer offers commonly charge?

(A) Nothing, because federal law bans transfer fees
(B) Sales tax on the amount transferred
(C) A fee, often 3% to 5% of the amount transferred
(D) A 10% penalty like an early retirement withdrawal

32) A retiree withdraws money from a Roth account, having met the qualifying rules. What tax is owed on the withdrawal?

(A) Ordinary income tax on the growth only
(B) None, because the money was taxed before it went in
(C) A flat penalty regardless of age
(D) Ordinary income tax on the whole withdrawal