

Accredited Financial Counselor (AFC) Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

This is a sample study guide. To access the full version with hundreds of questions,

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain from reliable sources accurate, complete, and timely information about this product.

SAMPLE

Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	6
Answers	9
Explanations	11
Next Steps	17

Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Don't worry about getting everything right, your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations, and take breaks to retain information better.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning.

7. Use Other Tools

Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly — adapt the tips above to fit your pace and learning style. You've got this!

SAMPLE

Questions

- 1. What is the difference between a credit score and a credit report?**
 - A. A credit report is a numerical score; a credit score is a detailed history**
 - B. A credit score is a numerical representation of creditworthiness; a credit report is a detailed account of credit history**
 - C. A credit report contains personal identification; a credit score does not**
 - D. A credit score is used to grant a loan; a credit report is used for job applications**
- 2. What role does budgeting play in financial planning?**
 - A. It is used exclusively for tax preparation**
 - B. It helps individuals allocate their resources effectively**
 - C. It restricts all spending**
 - D. It limits investment opportunities**
- 3. For families with children, what is the primary concern for their life insurance needs?**
 - A. Debt repayment**
 - B. Income-replacement**
 - C. Cream of the crop**
 - D. Health costs**
- 4. Which aspect is crucial when creating a financial plan?**
 - A. Ignoring financial goals**
 - B. Excluding debt management strategies**
 - C. Including a savings plan for emergencies**
 - D. Focusing solely on investments**
- 5. What is a recommended step for monitoring personal finances effectively?**
 - A. Engaging a financial advisor for all decisions solely.**
 - B. Infrequently checking account balances.**
 - C. Regularly reviewing and adjusting financial situations.**
 - D. Minimizing any documentation of expenses.**

- 6. A person who leaves his or her insured car running while entering a store provides an example of a ____ hazard.**
- A. Physical**
 - B. Morale**
 - C. Behavioral**
 - D. Environmental**
- 7. Jack got a call at 2:00 AM from a creditor to collect a debt he owes. What federal law has the creditor broken?**
- A. Consumer Protection Act**
 - B. Fair Credit Reporting Act**
 - C. Truth in Lending Act**
 - D. Fair Debt Collection Practices Act**
- 8. What does a budget primarily help a person achieve?**
- A. Spend without limits**
 - B. Track financial habits and plan for future expenses**
 - C. Ignore financial goals**
 - D. Determine how much debt one can take on**
- 9. If housing values appreciate at a rate of 3 percent a year, what will a \$100,000 house be worth in ten years?**
- A. Approximately \$120,000**
 - B. Approximately \$134,390**
 - C. Approximately \$150,000**
 - D. Approximately \$160,000**
- 10. What is Eric's debt-to-income ratio based on his annual income and debt repayments?**
- A. 30 percent**
 - B. 35 percent**
 - C. 41 percent**
 - D. 50 percent**

Answers

SAMPLE

1. B
2. B
3. B
4. C
5. C
6. B
7. D
8. B
9. B
10. C

SAMPLE

Explanations

1. What is the difference between a credit score and a credit report?

- A. A credit report is a numerical score; a credit score is a detailed history
- B. A credit score is a numerical representation of creditworthiness; a credit report is a detailed account of credit history**
- C. A credit report contains personal identification; a credit score does not
- D. A credit score is used to grant a loan; a credit report is used for job applications

The distinction between a credit score and a credit report is fundamental to understanding personal finance and credit management. A credit score serves as a numerical representation of an individual's creditworthiness, typically ranging from 300 to 850. It summarizes the individual's credit risk at a glance, enabling lenders to gauge the likelihood of repaying borrowed funds. On the other hand, a credit report provides a comprehensive account of an individual's credit history, including details such as credit accounts, payment history, credit inquiries, and any public records such as bankruptcies. It offers a more in-depth view of a person's financial behavior, which can influence the credit score calculation. Because of this relationship, option B accurately captures the essence of both concepts, highlighting that the credit score is a summary metric and the credit report is a detailed documentation. Understanding this difference is crucial for individuals working in financial counseling, as it enables them to assist clients in managing and improving their credit health effectively.

2. What role does budgeting play in financial planning?

- A. It is used exclusively for tax preparation
- B. It helps individuals allocate their resources effectively**
- C. It restricts all spending
- D. It limits investment opportunities

Budgeting plays a vital role in financial planning by helping individuals allocate their resources effectively. By creating a budget, individuals can outline their income, expenses, savings, and investments, allowing them to see a clear picture of their financial situation. This structured approach enables them to prioritize spending based on their goals, whether it's saving for a vacation, paying off debt, or investing for the future. Effective budgeting helps individuals gain control over their finances, make informed decisions, and identify areas where adjustments may be necessary to improve their financial health. It also fosters accountability, encouraging individuals to stick to their financial goals and track their progress over time. This strategic management of resources ultimately leads to better financial outcomes and stability. In contrast, budgeting does not serve exclusively for tax preparation, is not meant to restrict all spending, and does not inherently limit investment opportunities. Instead, a well-structured budget can actually support and enhance investment strategies by ensuring that individuals allocate funds toward both immediate needs and long-term financial growth.

3. For families with children, what is the primary concern for their life insurance needs?

- A. Debt repayment**
- B. Income-replacement**
- C. Cream of the crop**
- D. Health costs**

The primary concern for families with children regarding their life insurance needs is income-replacement. This is essential because, in the event of a parent's untimely death, the family will require ongoing financial support to cover living expenses and maintain their standard of living. The loss of a parent can lead to significant financial strain, making it crucial to ensure that the family's income continues to flow, allowing for essential costs such as housing, education, food, and healthcare to be met.

Income-replacement not only supports day-to-day needs but also provides for long-term financial stability, such as saving for children's education or covering future expenses. Parents want to ensure that their children are not only taken care of in the short term but can also achieve their full potential in the future, which hinges on the financial security provided by adequate life insurance coverage. While other concerns like debt repayment, health costs, and various other financial responsibilities are also important, income-replacement remains the primary focus for families with children to secure their overall financial welfare in the face of potential loss.

4. Which aspect is crucial when creating a financial plan?

- A. Ignoring financial goals**
- B. Excluding debt management strategies**
- C. Including a savings plan for emergencies**
- D. Focusing solely on investments**

Including a savings plan for emergencies is essential when creating a financial plan because it establishes a financial safety net that can protect individuals from unexpected expenses, such as medical emergencies, car repairs, or job loss. An emergency savings fund typically covers three to six months of living expenses, which can help maintain financial stability during unforeseen circumstances. This aspect of financial planning encourages individuals to be proactive about managing risk and ensures they're not forced to rely on high-interest debt or other less favorable options in a crisis. Building an emergency fund also fosters healthy financial habits, encouraging regular saving and budgeting practices that can contribute to long-term financial well-being. Ultimately, a well-rounded financial plan should account for both immediate needs and future goals, integrating emergency savings to support overall financial resilience.

5. What is a recommended step for monitoring personal finances effectively?

- A. Engaging a financial advisor for all decisions solely.**
- B. Infrequently checking account balances.**
- C. Regularly reviewing and adjusting financial situations.**
- D. Minimizing any documentation of expenses.**

Regularly reviewing and adjusting financial situations is crucial for effective personal finance monitoring. This practice enables individuals to maintain control over their financial health by providing a clear understanding of their income, expenses, savings, and investments. Frequent reviews help identify trends, track progress towards financial goals, and make informed decisions about budgeting and spending. By regularly assessing their financial situation, people can also make necessary adjustments in response to changes in income, expenses, or financial goals. This proactive approach can prevent overspending, enhance saving habits, and help ensure that financial objectives are being met over time. It emphasizes the importance of adaptability in personal finance management, allowing individuals to respond to unexpected circumstances or opportunities for improvement. In contrast, relying solely on a financial advisor would not foster an individual's own financial literacy and could create dependency. Infrequently checking account balances does not provide necessary insights into one's financial situation and can result in unpleasant surprises, such as overdrafts or unexpected expenses. Minimizing documentation of expenses can lead to a lack of clarity about where money is being spent, making it challenging to track and manage finances effectively. Regular reviews and adjustments ensure a comprehensive understanding of one's financial landscape, which is essential for long-term success.

6. A person who leaves his or her insured car running while entering a store provides an example of a ____ hazard.

- A. Physical**
- B. Morale**
- C. Behavioral**
- D. Environmental**

The correct answer is that this scenario exemplifies a morale hazard. A morale hazard refers to a condition that arises from an individual's careless or reckless attitude toward the risk of loss. In this case, leaving a car running while entering a store demonstrates a lack of concern for potential theft or damage. The person's behavior reflects a casual attitude, often stemming from a sense of complacency due to the belief that they are insured and may not face significant consequences for their actions. In contrast, a physical hazard would involve a tangible condition that increases the chance of loss, such as a defect in the vehicle itself. Behavioral hazards relate to actions that may increase risk but highlight more intentional choices and habits rather than carelessness. Environmental hazards are related to the surroundings, factors outside of individual control that might increase risk. Understanding the distinction among these hazards is crucial in assessing risk and implementing appropriate insurance coverage.

7. Jack got a call at 2:00 AM from a creditor to collect a debt he owes. What federal law has the creditor broken?

- A. Consumer Protection Act**
- B. Fair Credit Reporting Act**
- C. Truth in Lending Act**
- D. Fair Debt Collection Practices Act**

The Fair Debt Collection Practices Act (FDCPA) is the federal law that governs the behavior of debt collectors and establishes guidelines for their interactions with consumers. One of the key provisions of this act prohibits creditors from contacting consumers at unreasonable hours. Specifically, the FDCPA restricts phone calls to between 8 AM and 9 PM, making a call at 2:00 AM a clear violation of the law. This act was put in place to protect consumers from harassment and ensure fair treatment in the debt collection process. By allowing consumers to have peace during off-hours, the FDCPA aims to reduce undue pressure and stress associated with debt collection. Therefore, in this scenario, the creditor's late-night call to Jack demonstrates a breach of the FDCPA, as it occurs outside the permissible time frame for debt collection communications.

8. What does a budget primarily help a person achieve?

- A. Spend without limits**
- B. Track financial habits and plan for future expenses**
- C. Ignore financial goals**
- D. Determine how much debt one can take on**

A budget primarily helps a person achieve the ability to track financial habits and plan for future expenses. By creating a budget, individuals can gain insight into their income and expenditures, which allows them to see where their money goes and identify patterns in their spending behavior. This awareness is crucial for making informed financial decisions. Additionally, a budget acts as a roadmap, allowing individuals to allocate funds toward savings, investments, and other financial goals, which is essential for long-term financial planning. It also helps prevent overspending and ensures that essential expenses are covered while allowing for some discretionary spending within set limits. In contrast to the other options, a budget does not promote unlimited spending, ignore financial goals, or solely focus on analyzing debt capacity without considering broader financial management. Hence, the correct answer highlights the primary utility of a budgeting process in fostering better financial awareness and planning.

9. If housing values appreciate at a rate of 3 percent a year, what will a \$100,000 house be worth in ten years?

A. Approximately \$120,000

B. Approximately \$134,390

C. Approximately \$150,000

D. Approximately \$160,000

To determine the future value of a house that appreciates at a rate of 3 percent per year over a period of ten years, you can use the formula for compound interest: $\text{Future Value} = \text{Present Value} * (1 + \text{rate})^{(\text{number of years})}$ In this scenario, the present value is \$100,000, the annual appreciation rate is 3 percent (or 0.03 in decimal form), and the number of years is 10. Applying these values to the formula: $\text{Future Value} = \$100,000 * (1 + 0.03)^{10}$ $\text{Future Value} = \$100,000 * (1.03)^{10}$ $\text{Future Value} = \$100,000 * 1.3439$ (approximately) Calculating this gives: $\text{Future Value} \approx \$134,390$ This calculation shows that after ten years, a house valued at \$100,000 appreciating at an annual rate of 3 percent will be worth approximately \$134,390. This understanding of compound interest and appreciation is critical for financial planning and investment forecasting, which are key concepts for an Accredited Financial Counselor.

10. What is Eric's debt-to-income ratio based on his annual income and debt repayments?

A. 30 percent

B. 35 percent

C. 41 percent

D. 50 percent

To determine Eric's debt-to-income ratio, you need to calculate the ratio of his total monthly debt payments to his monthly gross income, expressed as a percentage. The debt-to-income ratio is a crucial metric that lenders use to assess an individual's ability to manage monthly payments and repay debts. If Eric's annual income is known, you can calculate his monthly income by dividing that figure by 12. Then, you would add all of his monthly debt obligations—for example, payments on loans, credit cards, or mortgages. By dividing the total monthly debt by the monthly income and then multiplying by 100, you arrive at the debt-to-income ratio. When this calculation results in 41 percent, it reflects a situation where for every dollar of income, \$0.41 goes toward servicing debt. This ratio is significant because, typically, financial advisors advise managing a debt-to-income ratio below certain thresholds; many lenders prefer clients with a ratio under 36 percent. A ratio of 41 percent indicates a higher level of debt in relation to income, suggesting that Eric may face financial strain if his obligations increase or if unexpected expenses arise. This understanding emphasizes the importance of monitoring and managing debt levels in relation to income, making option C the most accurate representation

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://accreditedfinancialcounselor.examzify.com>

We wish you the very best on your exam journey. You've got this!