

Accredited Financial Counselor (AFC) Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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 accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

| | |
|------------------------------------|-----------|
| Copyright | 1 |
| Table of Contents | 2 |
| Introduction | 3 |
| How to Use This Guide | 4 |
| Questions | 5 |
| Answers | 8 |
| Explanations | 10 |
| Next Steps | 16 |

SAMPLE

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. 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.

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. 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!

Questions

SAMPLE

- 1. What is the importance of estate planning in financial counseling?**
 - A. To ensure that an individual's assets are distributed according to their wishes after death**
 - B. To reduce taxes on income earned during one's lifetime**
 - C. To minimize expenses during retirement years**
 - D. To guarantee a steady income for heirs following an individual's passing**
- 2. Which of the following is a helpful way to get clients to start exploring their goals?**
 - A. What are your biggest financial obstacles?**
 - B. How have you handled your financial challenges before?**
 - C. What are your short, medium, and long-term financial goals?**
 - D. I'm wondering what will be different for you once counseling is complete.**
- 3. At which stage of the financial counseling process do the client and counselor develop an action plan?**
 - A. Understanding**
 - B. Implementing**
 - C. Evaluating**
 - D. Preparation**
- 4. Which principle should be followed for effective debt management?**
 - A. Accumulating as much debt as possible for credit building.**
 - B. Making only minimum monthly payments without additional plans.**
 - C. Understanding terms and making timely payments.**
 - D. Ignoring debts until they individually are collected.**
- 5. At which stage in the financial counseling process does the counselor collect data such as income and debt level?**
 - A. Exploring**
 - B. Planning**
 - C. Implementing**
 - D. Evaluating**

6. What does "overdraft" mean in the context of banking?

- A. A fee charged for insufficient funds**
- B. A situation where withdrawals exceed the account balance**
- C. A penalty for exceeding credit limits**
- D. A service that allows checking account enhancements**

7. 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**

8. Noninstallment credit includes which of the following?

- A. Both single-payment and open-end credit**
- B. Only single-payment loans**
- C. Only open-end credit**
- D. Both installment loans and open-end credit**

9. What term describes lending that is specifically designed for borrowers with low credit scores?

- A. High-risk lending**
- B. Subprime lending**
- C. Conventional lending**
- D. Personal loans**

10. What financial term describes the difference between a person's assets and liabilities?

- A. Cash flow**
- B. Net worth**
- C. Equity**
- D. Gross income**

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. What is the importance of estate planning in financial counseling?

- A. To ensure that an individual's assets are distributed according to their wishes after death**
- B. To reduce taxes on income earned during one's lifetime**
- C. To minimize expenses during retirement years**
- D. To guarantee a steady income for heirs following an individual's passing**

Estate planning plays a crucial role in financial counseling because it provides a framework for ensuring that an individual's assets are distributed according to their wishes after their death. This process allows individuals to make important decisions about who will receive their property, how much they will receive, and under what circumstances. By having a comprehensive estate plan in place—typically including documents like wills, trusts, and powers of attorney—individuals can minimize potential conflicts among heirs and provide clear instructions that reflect their values and desires. Additionally, proper estate planning can address various other considerations, such as designating guardians for minor children, planning for potential incapacitation, and ensuring that one's legacy is managed according to personal wishes. It helps in avoiding probate complexities and can reduce expenses associated with estate management. While the other options touch on important aspects of financial management, they do not capture the primary focus of estate planning. For instance, reducing taxes on income earned during one's lifetime pertains more to income tax strategies and not directly to how one's assets are distributed after death. Similarly, minimizing expenses during retirement years and guaranteeing steady income for heirs focus on different financial planning aspects rather than the distribution of assets after an individual's passing, which is the core of estate planning.

2. Which of the following is a helpful way to get clients to start exploring their goals?

- A. What are your biggest financial obstacles?**
- B. How have you handled your financial challenges before?**
- C. What are your short, medium, and long-term financial goals?**
- D. I'm wondering what will be different for you once counseling is complete.**

Encouraging clients to explore their goals is essential for effective financial counseling, and asking them about what will be different for them once counseling is complete can have a profound impact. This question invites clients to visualize their future after achieving their financial objectives, which can stimulate motivation and clarity regarding their aspirations. It pushes clients to think beyond mere obstacles or past behaviors, focusing on what success looks like for them personally. By envisioning a transformed situation, clients may identify specific goals and intentions that can guide their financial planning. This approach taps into their desires and values, helping them articulate not just what they want to achieve, but why it matters, ultimately creating a more meaningful dialogue about their financial future. In contrast, while identifying financial obstacles, reflecting on past challenges, and discussing goals are all valuable components of the counseling process, they may not elicit the same level of engagement or inspiration in terms of future aspirations as visualizing success does. Therefore, exploring the differences post-counseling opens up a constructive pathway for goal setting that aligns with the client's vision for their life.

3. At which stage of the financial counseling process do the client and counselor develop an action plan?

- A. Understanding**
- B. Implementing**
- C. Evaluating**
- D. Preparation**

The stage of the financial counseling process during which the client and counselor develop an action plan is the Understanding stage. At this point, efforts are focused on identifying the client's financial situation, needs, and goals. Through discussions and assessments, the counselor gains insights into the client's circumstances and helps them articulate what they want to achieve. This stage lays the groundwork for developing a personalized action plan that addresses the client's specific challenges and aspirations. By fully understanding the client's situation and collaboratively establishing priorities, the counselor and client can then tailor strategies to meet those needs effectively, setting the stage for implementation in later steps of the process. During subsequent stages, such as Implementing, the focus would shift to putting the action plan into practice, while Evaluating involves reviewing the outcomes and making necessary adjustments. Preparation comes earlier in the process, focusing on gathering relevant information and establishing rapport. Thus, the Understanding stage is crucial for creating a solid action plan that guides future financial decisions and actions.

4. Which principle should be followed for effective debt management?

- A. Accumulating as much debt as possible for credit building.**
- B. Making only minimum monthly payments without additional plans.**
- C. Understanding terms and making timely payments.**
- D. Ignoring debts until they individually are collected.**

Understanding terms and making timely payments is fundamental for effective debt management because it allows individuals to stay informed about their financial obligations and avoid accruing unnecessary interest or penalties. Being aware of the specifics of the debt, such as interest rates, due dates, and any conditions tied to the loan or credit account, enables individuals to plan their budgets effectively. Timely payments help maintain a good credit score and prevent the debt from escalating due to late fees or negative reporting to credit bureaus. This approach fosters a proactive attitude toward financial management, which is essential for reducing overall debt and establishing long-term financial stability. Additionally, staying engaged with one's financial situation reduces the risk of feeling overwhelmed, which can often lead to negative outcomes, such as missed payments or increased borrowing. It promotes a healthier relationship with credit and encourages individuals to seek assistance or alter their financial strategies when necessary.

5. At which stage in the financial counseling process does the counselor collect data such as income and debt level?

- A. Exploring**
- B. Planning**
- C. Implementing**
- D. Evaluating**

The correct choice, which is the exploring stage, is critical in the financial counseling process as it is during this phase that the counselor gathers essential information from the client. The collection of data about the client's income and debt level allows the counselor to gain a comprehensive understanding of the client's financial situation. This information serves as the foundation for creating a tailored financial plan that addresses the specific needs and challenges faced by the client. During the exploring stage, the counselor engages in active listening and asks relevant questions to uncover the full scope of the client's financial issues. This initial assessment is crucial for identifying both strengths and weaknesses in the client's financial management, which will inform the subsequent planning phase where strategic decisions are made. In the planning phase that follows, the information gathered during the exploring stage is utilized to develop actionable goals and strategies. Without a thorough exploration of the client's financial background, the planning would lack the necessary context for effective recommendations. Thus, the exploring stage exemplifies the importance of data collection in setting the groundwork for an informed and productive counseling process.

6. What does "overdraft" mean in the context of banking?

- A. A fee charged for insufficient funds**
- B. A situation where withdrawals exceed the account balance**
- C. A penalty for exceeding credit limits**
- D. A service that allows checking account enhancements**

In the context of banking, "overdraft" specifically refers to a situation where withdrawals from an account exceed the available balance. This can occur when a customer writes a check, makes a debit card purchase, or initiates a transfer that surpasses the amount of money they have in their checking account. When an account is overdrawn, the bank may allow the transaction to proceed, leading to a negative balance. Additionally, banks often charge fees for this service or set overdraft limits that allow customers to access funds beyond their available balance temporarily. Choosing this definition accurately captures the core essence of an overdraft. It describes the fundamental issue of going beyond the funds in the account, which is crucial for clients to understand as they manage their finances and account activity.

7. 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.

8. Noninstallment credit includes which of the following?

- A. Both single-payment and open-end credit**
- B. Only single-payment loans
- C. Only open-end credit
- D. Both installment loans and open-end credit

Noninstallment credit encompasses financial arrangements that do not require regular installments for repayment. This type of credit is characterized by either a single-payment structure where the total amount borrowed is paid back at once or an open-end credit system that allows ongoing borrowing up to a set limit. Single-payment credit refers to loans or purchases where the entire amount is due at a specified future date, such as a payday loan. In contrast, open-end credit, like credit cards, permits consumers to borrow up to a certain limit and pay back that amount over time, as long as they stay within the credit limit. Because noninstallment credit includes both these forms of borrowing, the correct answer recognizes that both single-payment loans and open-end credit are included within this definition. This holistic view of noninstallment credit captures the diversity of repayment structures available to consumers. The other options narrow the focus incorrectly by isolating one type of noninstallment credit instead of acknowledging that both types exist under this category.

9. What term describes lending that is specifically designed for borrowers with low credit scores?

- A. High-risk lending**
- B. Subprime lending**
- C. Conventional lending**
- D. Personal loans**

Subprime lending is the term that specifically describes lending aimed at borrowers with low credit scores. This type of lending recognizes that individuals with lower credit ratings may have had financial difficulties in the past but still need access to credit. Subprime loans typically come with higher interest rates compared to prime loans, reflecting the greater risk associated with lending to borrowers who may not qualify for more favorable terms due to their credit history. In contrast, high-risk lending can be a broader category that may include various types of loans deemed risky but does not specifically focus on low credit scores. Conventional lending generally refers to loans that conform to standard criteria set by financial institutions and government-backed entities, which usually favor borrowers with strong credit histories. Personal loans encompass a wider range of lending options that may not specifically target the needs of borrowers with low credit scores, as they can also be available to those with good credit. Thus, subprime lending uniquely identifies the structured approach to accommodate those facing challenges related to their creditworthiness.

10. What financial term describes the difference between a person's assets and liabilities?

- A. Cash flow**
- B. Net worth**
- C. Equity**
- D. Gross income**

Net worth is the financial term that represents the difference between a person's assets and liabilities. It is a fundamental measure of an individual's financial health and indicates what remains after all debts have been paid. Essentially, it reflects what a person would have if they sold all their assets and paid off all their debts, providing a snapshot of their overall financial position. Assets include everything of value owned, such as cash, real estate, investments, and personal property, while liabilities encompass all debts and obligations, including loans, mortgages, and credit card balances. The calculation of net worth is crucial for personal finance management, as it helps individuals understand their financial standing and track changes over time in response to savings, investments, and debt repayment. In contrast, cash flow refers to the income and expenses within a specific period, while equity is often related to ownership in an asset, particularly in real estate or business contexts. Gross income represents total earnings before any deductions like taxes or expenses, which does not directly indicate net worth. Thus, while all these terms are crucial in financial discussions, net worth specifically encapsulates the relationship between assets and liabilities.

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!

SAMPLE