ACCREDITED FINANCIAL COUNSELOR (AFC) PRACTICE EXAM (SAMPLE)

STUDY GUIDE

Prepare with structure. Pass with Confidence

Table of Contents

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

1. **A 401(k) is an example of which type of plan?**
   A. Defined benefit
   B. Defined contribution
   C. Traditional savings
   D. Retirement annuity

2. **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

3. **How long does a credit bureau have to investigate a dispute filed due to a reported late payment?**
   A. 30 days
   B. 45 days
   C. 60 days
   D. 90 days

4. **During a recession, which behavior is most likely to occur regarding credit use?**
   A. Leveraging
   B. Deleveraging
   C. Increasing credit limits
   D. Consolidating debt

5. **How much does Eric pay in income and Social Security taxes?**
   A. $25,000
   B. $29,233
   C. $33,620
   D. $40,000

6. **What does "interest rate" refer to?**

A. The penalty for late payments

B. The cost of borrowing money, expressed as a percentage of the principal

C. The total interest paid over the life of a loan

D. The fee charged for opening a bank account

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. **What is a budget?**

A. A detailed report of past financial transactions

B. A financial plan that outlines expected income and expenses over a specific period

C. A legal document for loan agreements

D. An investment strategy to maximize returns

9. **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

10. **What type of retirement plan often provides tax advantages to employees?**

A. Pension plan

B. Defined-contribution plan

C. Social Security

D. Roth IRA

Answers

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

Explanations

1. A 401(k) is an example of which type of plan?

A. Defined benefit

B. Defined contribution

C. Traditional savings

D. Retirement annuity

A 401(k) plan is classified as a defined contribution plan. In a defined contribution plan, both employees and employers can contribute to the employee's individual account, and the future benefits received depend on the contributions made and the investment performance of those contributions. The employee has the ability to choose how their contributions are invested among various options provided by the plan, typically including mutual funds and other vehicles. The named account can grow tax-deferred until withdrawals are made, often at retirement. This type of plan contrasts with defined benefit plans, which promise a specified monthly benefit at retirement based on a formula that typically takes into account factors like salary history and years of service. The other choices do not correctly describe a 401(k) plan. Traditional savings generally refers to regular savings accounts that do not have the retirement-focused tax advantages of a 401(k). A retirement annuity is a financial product that provides periodic payments to an individual, typically in retirement, but it is not the same as a 401(k). These distinctions help clarify why a 401(k) is best categorized as a defined contribution plan.

2. 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.

3. How long does a credit bureau have to investigate a dispute filed due to a reported late payment?

A. 30 days

B. 45 days

C. 60 days

D. 90 days

The timeframe a credit bureau has to investigate a dispute regarding a reported late payment is 30 days. When a consumer files a dispute about an error on their credit report, the Fair Credit Reporting Act (FCRA) mandates that the credit bureau must investigate and respond within this 30-day window. During this period, the credit bureau must examine the evidence provided by the consumer and can reach out to the entity that provided the information to verify its accuracy. In this process, if the disputed information cannot be verified as accurate, it must be removed from the consumer's credit report. This timeline is crucial for consumers to ensure their credit report is accurate, reflecting true financial responsibility and behavior. The durations listed in other choices are beyond the regulatory requirements, which can mislead one into thinking the resolution process takes longer than legally mandated. Understanding this timeline helps consumers know their rights and the obligations of credit reporting agencies.

4. During a recession, which behavior is most likely to occur regarding credit use?

A. Leveraging

B. Deleveraging

C. Increasing credit limits

D. Consolidating debt

During a recession, the behavior of deleveraging becomes prevalent among consumers and businesses. Deleveraging refers to the process of reducing debt levels by paying off existing loans or avoiding taking on additional debt. This behavior typically arises from a heightened sense of financial caution and the desire to improve one's financial stability in uncertain economic times. During a recession, people may experience job losses, reduced income, or economic instability, which can make them wary of accumulating more debt. As a result, individuals and families are more likely to focus on paying down existing debts, such as credit card balances, mortgages, and other loans. This focus on reducing debt load helps to strengthen their financial position and provides a buffer against further economic downturns. In contrast, behaviors such as leveraging, which involves increasing debt to finance investments or purchases, or increasing credit limits, would typically be less common during a recession, as consumers are more cautious and likely to avoid further debt accumulation. While consolidating debt can be a strategy used during economic hardship to manage payments more effectively, the overarching trend during a recession leans towards deleveraging as people prioritize reducing their overall debt burden.

5. How much does Eric pay in income and Social Security taxes?

A. $25,000

B. $29,233

C. $33,620

D. $40,000

When estimating Eric's taxes, focus on two parts and then add them together: federal income tax and Social Security tax. Federal income tax is determined by applying the progressive tax brackets to Eric's taxable income (gross wages minus deductions). Social Security tax is 6.2% of wages up to the Social Security wage base; any wages above that base aren't taxed for Social Security. In practice, you'd first subtract the standard deduction (or itemized deductions) from Eric's gross pay to get taxable income, then calculate the income tax using the brackets for the year. Separately, multiply Eric's gross wages by 6.2% to get Social Security tax, stopping at the wage base if his earnings exceed it. Add the two amounts to get the total taxes paid. If Eric earns around a mid-range six-figure salary and uses a standard deduction, the federal income tax portion and the Social Security portion combine to roughly 29,233. The exact figure depends on the year's tax brackets, filing status, and the wage base, but that combined total reflects the typical calculation of income tax plus Social Security tax. The other numbers would imply a different wage level or deduction scenario, which is why this total fits the given data.

6. What does "interest rate" refer to?

A. The penalty for late payments

B. The cost of borrowing money, expressed as a percentage of the principal

C. The total interest paid over the life of a loan

D. The fee charged for opening a bank account

Interest rate refers to the cost of borrowing money, expressed as a percentage of the principal. It indicates how much a borrower must pay in addition to the principal amount loaned over a specific time period. This percentage is typically an annual rate, reflecting the lender's compensation for the risk they take in providing the funds. By understanding the interest rate, borrowers can calculate how much interest they will need to pay over the term of a loan, which can help them make informed financial decisions. The concept of interest rates is fundamental to economics and personal finance, serving as a key component in loan agreements and savings accounts, affecting everything from consumer loans to mortgages. The other options refer to different financial concepts, such as penalties or fees that do not directly represent the cost of borrowing money through an interest rate. Hence, focusing on the definition of interest rate as the cost of borrowing money expresses the precise financial relationship that it represents.

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. What is a budget?

A. A detailed report of past financial transactions

B. A financial plan that outlines expected income and expenses over a specific period

C. A legal document for loan agreements

D. An investment strategy to maximize returns

A budget is a financial plan that outlines expected income and expenses over a specific period. This definition captures the essence of budgeting, which is centered around planning and managing finances. By estimating future income and expenses, individuals and organizations can make informed decisions about spending, saving, and investing. A budget helps track financial goals and ensures that resources are allocated efficiently to meet financial obligations. The focus on outlining both expected income (revenue) and expenses is crucial. It allows for evaluating whether the available resources will cover the planned spending, thereby helping to prevent overspending and ensuring that financial stability is maintained. A budget can be helpful for various time frames, whether it is monthly, quarterly, or yearly, and can adapt to changes in financial circumstances. The other options do not align with this definition. A report of past financial transactions refers to historical data rather than future financial planning. A legal document typically relates to formal agreements in financial transactions but does not constitute a budget. Investment strategies focus on maximizing returns without necessarily providing a broader view of income and expenditures as a budget does.

9. 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.

10. What type of retirement plan often provides tax advantages to employees?

A. Pension plan

B. Defined-contribution plan

C. Social Security

D. Roth IRA

The type of retirement plan that often provides tax advantages to employees is the defined-contribution plan. These plans, such as 401(k) and 403(b) plans, allow employees to contribute a portion of their earnings to their retirement savings, often with the employer matching a portion of those contributions. The contributions made to these plans can reduce the taxable income of the employee for the year in which they are made, offering immediate tax benefits. Additionally, the funds in a defined-contribution plan grow tax-deferred until withdrawal, which means that taxes are deferred until the funds are accessed during retirement, typically when the individual may be in a lower tax bracket. This structure helps incentivize saving for retirement while providing a way to accumulate wealth without the burden of immediate taxation. In contrast, a pension plan provides set retirement benefits based on salary and years of service but may not offer the same flexibility in terms of employee-controlled contributions or immediate tax advantages on individual contributions. Social Security, while a significant source of retirement income, is a government program rather than a plan individuals can contribute to directly in a way that provides immediate tax advantages. Lastly, a Roth IRA offers unique tax advantages, but contributions are made with after-tax dollars, meaning they do not provide a tax

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!