

# CUNA Financial Counselor Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

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# 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**

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- 1. According to best practices, how should one respond to unsolicited increases in credit limits?**
  - A. Accept them without hesitation**
  - B. Consider them an opportunity**
  - C. Avoid them**
  - D. Request further information from the issuer**
- 2. What is essential when changing spending habits as a family?**
  - A. Everyone must be heard and part of the solution**
  - B. Only the parents should make decisions**
  - C. Discussion should focus on individual goals**
  - D. Keep changes secret to avoid conflict**
- 3. Which financial document is NOT typically gathered after a death?**
  - A. Marriage certificate**
  - B. Retirement statements**
  - C. Sports club membership**
  - D. Life insurance policies**
- 4. Which of the following statements is true regarding 401K and 403B accounts?**
  - A. Loans are not permitted under any circumstances**
  - B. Contributions are unlimited for all employees**
  - C. Employees can defer income and possibly receive a match**
  - D. Withdrawals can be made without any penalties at any age**
- 5. In terms of decision-making tools, which step is essential for efficiency?**
  - A. Identify non-essentials first**
  - B. Implement plans immediately**
  - C. Gather extensive research**
  - D. Complete the analysis last**

**6. Which counseling approach is characterized by humor and metaphors?**

- A. Hard approach**
- B. Soft approach**
- C. Analytical approach**
- D. Direct approach**

**7. What is one potential method of reducing risk?**

- A. Increasing deductibles**
- B. Purchasing a fire extinguisher**
- C. Avoiding all types of insurance**
- D. Relying solely on savings**

**8. What is one of the warning signs of financial addiction?**

- A. Consistent savings and frequent investment**
- B. Frequent debit or credit charges at convenience stores**
- C. Regular income from diversified sources**
- D. High performance in investment portfolios**

**9. Which of the following best describes insurance interest?**

- A. The interest the insured has in the property if it is damaged or destroyed**
- B. The amount of insurance premium paid by the insured**
- C. The benefits received from an insurance policy**
- D. The process of filing an insurance claim**

**10. Evaluating the odds of suffering a loss is an important part of what process?**

- A. Assessing insurance needs**
- B. Determining personal savings goals**
- C. Identifying investment opportunities**
- D. Developing a retirement plan**

## **Answers**

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

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## **Explanations**

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**1. According to best practices, how should one respond to unsolicited increases in credit limits?**

- A. Accept them without hesitation**
- B. Consider them an opportunity**
- C. Avoid them**
- D. Request further information from the issuer**

Responding to unsolicited increases in credit limits should be done with caution, and avoiding them is consistent with best practices for managing personal credit. When consumers receive unsolicited credit limit increases, it can lead to a temptation to accumulate more debt than initially planned. This could ultimately impact a person's credit utilization ratio, which is a key factor in credit scoring. Accepting these increases could also make it easier to overspend, leading to potential financial challenges.

Additionally, unsolicited increases may indicate that a lender is trying to encourage more usage of credit, which may not align with sound financial management strategies. By opting to avoid these increases, individuals maintain better control over their finances, ensuring that they do not inadvertently open themselves to increased debt and potential issues with repayment. Considering unsolicited increases as opportunities or requesting further information from the issuer could also lead to complications, as these approaches may not adequately address the potential risks associated with increased credit limits. By choosing to avoid unsolicited increases, individuals can protect their financial health and maintain more discipline in their credit usage.

**2. What is essential when changing spending habits as a family?**

- A. Everyone must be heard and part of the solution**
- B. Only the parents should make decisions**
- C. Discussion should focus on individual goals**
- D. Keep changes secret to avoid conflict**

When changing spending habits as a family, it is essential that everyone is heard and included in the solution. This approach fosters a sense of ownership and accountability among all family members. When everyone has a voice in the discussion, it ensures that various perspectives and financial goals are considered, helping to create a more collaborative environment. This inclusivity can also improve motivation as individuals feel that their opinions are valued and that they have a stake in the family's financial decisions. Encouraging open communication allows families to discuss their needs and priorities, leading to a more effective strategy for managing finances. It can also help in identifying common goals and may mitigate resistance to change by ensuring everyone understands the reasoning behind new spending habits. Ultimately, when all family members are involved in the conversation, the chances of successfully changing spending habits are significantly increased.

**3. Which financial document is NOT typically gathered after a death?**

- A. Marriage certificate**
- B. Retirement statements**
- C. Sports club membership**
- D. Life insurance policies**

The financial document that is not typically gathered after a death is the sports club membership. When a person dies, the primary focus is on settling their estate, which involves addressing legal and financial matters such as determining rightful heirs, settling debts, and claiming any benefits that are due. Documents like marriage certificates, retirement statements, and life insurance policies are essential for this process. The marriage certificate is often needed to confirm marital status and can influence inheritances and claims to benefits. Retirement statements provide insights into the decedent's retirement accounts, which may require distribution processing. Life insurance policies represent potential payouts to beneficiaries and are critical for financial planning and settling the estate. In contrast, a sports club membership does not hold the same significance in the context of estate settlement and financial responsibilities after death. While it may have personal value, there is generally no financial obligation or asset tied to a sports club membership that would affect the distribution of the deceased's estate.

**4. Which of the following statements is true regarding 401K and 403B accounts?**

- A. Loans are not permitted under any circumstances**
- B. Contributions are unlimited for all employees**
- C. Employees can defer income and possibly receive a match**
- D. Withdrawals can be made without any penalties at any age**

The statement that employees can defer income and possibly receive a match is true regarding 401(k) and 403(b) accounts. These retirement savings plans allow employees to contribute a portion of their pre-tax income to the account, reducing their taxable income for the year. Additionally, many employers offer matching contributions up to a certain percentage, which can substantially enhance the employee's retirement savings over time. This feature incentivizes employees to participate in these plans, as it acts as free money towards their retirement. The other statements present limitations or perceptions that are not accurate regarding these retirement plans. For instance, while loans may not be permitted for all situations, some plans do allow loans under specific circumstances. Contributions to these plans have annual limits set by the IRS, which are not unlimited for all employees. Additionally, while account holders can withdraw funds from their retirement accounts, doing so typically incurs penalties if taken before the age of 59½, unless certain conditions are met. Therefore, the correct statement highlights the essential benefits of income deferral and potential employer matching in strengthening retirement savings.

**5. In terms of decision-making tools, which step is essential for efficiency?**

- A. Identify non-essentials first**
- B. Implement plans immediately**
- C. Gather extensive research**
- D. Complete the analysis last**

Identifying non-essentials first is essential for efficiency in decision-making because it allows individuals to prioritize their efforts and focus on what truly matters. By distinguishing between essential and non-essential tasks or information, individuals can streamline their decision-making process, preventing confusion and unnecessary delays typically associated with processing irrelevant data. This focus helps in allocating resources effectively, reduces overwhelm, and enhances clarity, ultimately leading to faster and more informed decisions. In contrast, implementing plans immediately without careful consideration may lead to rash decisions that overlook potential issues. Gathering extensive research could delay the decision-making process if it results in information overload, making it harder to differentiate critical insights from less relevant data. Completing the analysis last can hinder the ability to make timely choices, as it may push the actual decision-making to a later stage rather than facilitating it throughout the process. Thus, identifying non-essentials becomes a key step in maintaining efficiency, ensuring that only the most pertinent aspects are addressed first.

**6. Which counseling approach is characterized by humor and metaphors?**

- A. Hard approach**
- B. Soft approach**
- C. Analytical approach**
- D. Direct approach**

The soft approach in financial counseling is characterized by the use of humor and metaphors, which helps to create a more relaxed and approachable environment. This technique can make it easier for clients to engage with the material and feel comfortable discussing their financial situations. By using humor, counselors can diffuse tension, making serious topics easier to broach. Metaphors serve as relatable tools that allow clients to grasp complex financial concepts by framing them in familiar terms or scenarios. This style is particularly effective in building rapport, which is critical to establishing trust and openness in the counseling relationship. In contrast, other approaches such as hard, analytical, or direct tend to be more straightforward or structured, focusing on facts and direct advice rather than the relational and communicative aspects evident in the soft approach. These methods may not leverage humor or metaphor, which can limit the emotional connection and understanding clients might gain from their interactions with the counselor. Hence, the soft approach's unique characteristics of humor and metaphors play a vital role in making financial counseling more effective and accessible.

## 7. What is one potential method of reducing risk?

- A. Increasing deductibles
- B. Purchasing a fire extinguisher**
- C. Avoiding all types of insurance
- D. Relying solely on savings

One method of reducing risk is purchasing a fire extinguisher. This proactive measure helps to mitigate the potential damage caused by a fire, thereby reducing the overall risk to life and property. By having a fire extinguisher on hand, individuals can quickly respond to small fires before they escalate, improving safety and potentially preventing significant losses. In contrast, while increasing deductibles can influence the cost of insurance premiums, it does not directly reduce the risk; it merely shifts the financial responsibility in the event of a claim. Avoiding all types of insurance exposes an individual to higher risks since they would not be protected from unforeseen expenses. Relying solely on savings may provide some financial buffer, but it does not mitigate risks significantly, especially for large, unexpected events. Thus, having a fire extinguisher is a tangible action taken to reduce risk and enhance safety.

## 8. What is one of the warning signs of financial addiction?

- A. Consistent savings and frequent investment
- B. Frequent debit or credit charges at convenience stores**
- C. Regular income from diversified sources
- D. High performance in investment portfolios

Frequent debit or credit charges at convenience stores is a significant warning sign of financial addiction. This behavior often indicates impulsive spending habits, where an individual may be using small, seemingly insignificant transactions as a coping mechanism or to achieve temporary satisfaction. Such habits can lead to a cycle of financial instability, where the individual may not be mindful of their overall budget or financial well-being. In contrast, consistent savings and frequent investment, as well as regular income from diversified sources and high performance in investment portfolios, are signs of a healthy financial mindset. These behaviors reflect careful planning, disciplined saving, and a strategic approach to managing money, all of which are contrary to the patterns typically associated with financial addiction.

**9. Which of the following best describes insurance interest?**

- A. The interest the insured has in the property if it is damaged or destroyed**
- B. The amount of insurance premium paid by the insured**
- C. The benefits received from an insurance policy**
- D. The process of filing an insurance claim**

The concept of insurance interest is foundational in understanding how insurance works, particularly in relation to property and casualty insurance. Insurance interest refers to the financial stake an individual or entity has in the property or life insured. In this context, if the insured property is damaged or destroyed, the insured has a vested interest in that property, which justifies their ability to obtain insurance coverage on it. For example, if a homeowner has a mortgage on their home, they have an insurable interest in that property because their financial investment would be at risk if the home were to suffer a loss. This necessity for having an insurable interest helps prevent moral hazard, where individuals might take out insurance on items they do not own or have no genuine interest in protecting, leading to potential fraudulent claims. The other options, while they relate to aspects of insurance, do not accurately define insurance interest. The amount of insurance premium paid pertains to the cost of the insurance policy, the benefits received refer to the payouts made by the insurer in the event of a loss, and the process of filing a claim concerns the steps taken to report a loss and seek compensation. None of these reflect the fundamental principle of having an economic stake in the insured property or life that defines the term "insurance interest".

**10. Evaluating the odds of suffering a loss is an important part of what process?**

- A. Assessing insurance needs**
- B. Determining personal savings goals**
- C. Identifying investment opportunities**
- D. Developing a retirement plan**

Evaluating the odds of suffering a loss is a critical step in assessing insurance needs. This process involves analyzing potential risks that an individual or household may face, such as health issues, property damage, or liability events. By understanding these risks and their likelihood, one can determine the appropriate level of insurance coverage required to protect against financial loss. This assessment helps in selecting the right type and amount of insurance, ensuring that individuals are adequately protected without overpaying for unnecessary coverage. While evaluating risks may play a role in investment opportunities and retirement planning, it is most directly tied to the need for insurance, where the focus is on mitigating potential financial losses through appropriate coverage. Personal savings goals, on the other hand, are primarily concerned with financial growth and stability rather than risk assessment.

# 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](mailto:hello@examzify.com).**

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

**<https://cunafinancialcounselor.examzify.com>**

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

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