

# EverFi Financial Literacy for High School Practice Test (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,**

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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. 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!**

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## Questions

- 1. Which of these is typically considered a variable expense?**
  - A. Rent**
  - B. Utilities**
  - C. Groceries**
  - D. Insurance premiums**
- 2. What is the eligibility criterion for an unsecured loan?**
  - A. Income level**
  - B. Property ownership**
  - C. Credit score and credit history**
  - D. Employment status**
- 3. What type of auto insurance covers medical expenses and lost wages for the insured and passengers in an accident?**
  - A. Liability Insurance**
  - B. Collision Coverage**
  - C. Personal Injury Protection**
  - D. Comprehensive Coverage**
- 4. What does it mean to live within your means?**
  - A. Spending equal to or less than your income**
  - B. Consuming luxuries regardless of income**
  - C. Saving more than you spend**
  - D. Borrowing only for investments**
- 5. What are interest rates?**
  - A. The penalty charged for late payments**
  - B. The cost of borrowing money expressed as a percentage**
  - C. The fee paid for managing investment accounts**
  - D. Monetary rewards from saving accounts**
- 6. Being financially responsible means:**
  - A. Spending money freely as income allows**
  - B. Managing personal finances wisely and meeting obligations**
  - C. Minimizing investments to reduce risk**
  - D. Prioritizing debt repayment over all other expenses**



- 7. What is the primary feature of peer-to-peer lending?**
- A. It requires a bank as an intermediary**
  - B. It facilitates borrowing and lending directly between individuals**
  - C. It offers loans with fixed interest rates only**
  - D. It is only available for small amounts**
- 8. Which insurance type covers damages to an insured person's home and belongings?**
- A. Health Insurance**
  - B. Homeowners Insurance**
  - C. Auto Insurance**
  - D. Renter's Insurance**
- 9. Which characteristic is true for a short-term financial goal?**
- A. It typically spans over five years**
  - B. It is difficult to measure**
  - C. It can be achieved within a year**
  - D. It requires a significant investment**
- 10. Which academic program is typically completed after 2 years of undergraduate study?**
- A. Graduate degree**
  - B. Bachelor degree**
  - C. Doctoral degree**
  - D. Associate degree**

## **Answers**

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

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## **Explanations**

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**1. Which of these is typically considered a variable expense?**

- A. Rent**
- B. Utilities**
- C. Groceries**
- D. Insurance premiums**

Groceries are typically considered a variable expense because the amount spent can fluctuate from month to month based on several factors, such as dietary choices, family size, and shopping habits. Unlike fixed expenses, which remain constant regardless of usage, variable expenses can change significantly, allowing for more flexibility in budget allocation. For example, one month a person may choose to buy more organic items, and the next month they may decide to stick to sale items, affecting the total grocery bill. This variability makes groceries an ideal example of a variable expense. In contrast, options like rent and insurance premiums are generally fixed; these costs do not change significantly from month to month and are often set contracts or agreements. Utilities can have a variable component but are usually more predictable than groceries.

**2. What is the eligibility criterion for an unsecured loan?**

- A. Income level**
- B. Property ownership**
- C. Credit score and credit history**
- D. Employment status**

An unsecured loan relies primarily on the borrower's creditworthiness rather than any collateral, which is what distinguishes it from secured loans that require specific assets to back the loan amount. The eligibility for an unsecured loan hinges largely on the borrower's credit score and credit history. A good credit score indicates a history of responsible borrowing and timely repayment, which lenders use to assess the risk of lending to an individual. A strong credit history reassures lenders that the borrower is likely to repay the loan on time, thereby making them more willing to provide the funds even without collateral. While factors like income level, property ownership, and employment status may influence a lender's decision and are relevant overall in the lending process, they are secondary to the assessment of credit score and credit history when it comes to unsecured loans. If a borrower has a strong credit score and positive credit history, they are more likely to be approved for an unsecured loan, regardless of other financial factors.

**3. What type of auto insurance covers medical expenses and lost wages for the insured and passengers in an accident?**

- A. Liability Insurance**
- B. Collision Coverage**
- C. Personal Injury Protection**
- D. Comprehensive Coverage**

Personal Injury Protection (PIP) is specifically designed to cover medical expenses and lost wages for the insured and their passengers involved in an accident, regardless of who is at fault. It provides essential financial support to help individuals recover from injuries sustained in a vehicular accident by covering not only medical bills but also other related costs such as rehabilitation and lost income due to the inability to work. This type of coverage is particularly beneficial because it ensures that individuals receive support promptly after an accident, facilitating quicker recovery without the burden of medical expenses. Liability insurance primarily covers damages to other people's property and their medical expenses if the insured is at fault in an accident, but it does not cover the insured's own medical bills or lost wages. Collision coverage specifically addresses damage to the insured's own vehicle resulting from a crash with another vehicle or object, but does not provide coverage for medical expenses. Comprehensive coverage protects against non-collision-related incidents, such as theft or natural disasters, but also does not extend to medical costs or wages. Thus, Personal Injury Protection is the ideal choice for covering medical expenses and lost income resulting from an accident.

**4. What does it mean to live within your means?**

- A. Spending equal to or less than your income**
- B. Consuming luxuries regardless of income**
- C. Saving more than you spend**
- D. Borrowing only for investments**

Living within your means refers to the practice of managing your finances in such a way that your expenditures do not exceed your income. This concept is essential for maintaining financial stability and avoiding debt. When you spend equal to or less than what you earn, you can cover all your necessary expenses while still having the ability to save and invest for the future. This approach promotes responsible financial habits and helps in building a secure financial foundation. The other options refer to different behaviors that do not align with the principle of living within your means. Consuming luxuries regardless of income suggests overspending and can lead to financial difficulties. Saving more than you spend speaks to the importance of saving but does not clearly define the balance of income and spending necessary to live within your means. Borrowing only for investments could have merit in specific contexts but does not capture the essence of managing daily expenses in relation to income.

## 5. What are interest rates?

- A. The penalty charged for late payments
- B. The cost of borrowing money expressed as a percentage**
- C. The fee paid for managing investment accounts
- D. Monetary rewards from saving accounts

Interest rates are defined as the cost of borrowing money expressed as a percentage. When you borrow money, such as through loans or credit cards, the lender charges a certain percentage of the amount borrowed as a fee for providing the funds. This percentage varies based on several factors, including the lender's policies, the borrower's creditworthiness, and prevailing economic conditions. Understanding interest rates is crucial because they directly impact how much you will need to repay in addition to the principal amount borrowed. For instance, if someone takes out a loan with an interest rate of 5%, they will owe back the principal plus 5% of that principal as the cost of borrowing. Knowing the role of interest rates can help individuals make informed financial decisions, such as evaluating whether to take out a loan or comparing different credit options. This concept is fundamentally important in personal finance, as it affects debt management, savings growth, and overall financial planning. The other options refer to different financial concepts. Late payment penalties relate to fees incurred when payments are not made on time, while fees for managing investment accounts are costs associated with investment services. Monetary rewards from savings accounts typically involve interest that can be earned on deposits, but this doesn't encompass the broader definition of interest rates as a cost.

## 6. Being financially responsible means:

- A. Spending money freely as income allows
- B. Managing personal finances wisely and meeting obligations**
- C. Minimizing investments to reduce risk
- D. Prioritizing debt repayment over all other expenses

Being financially responsible encompasses managing personal finances wisely and meeting obligations, which is why this choice is correct. Financial responsibility involves making informed decisions about spending, saving, and investing, and ensuring that you can meet your financial commitments, such as paying bills, loans, and other obligations on time. This approach includes creating and maintaining a budget, being mindful of long-term financial goals, and being prepared for unexpected expenses. By fulfilling obligations, individuals enhance their creditworthiness and overall financial health. The other options suggest different approaches that may not necessarily lead to sound financial management. For instance, spending money freely as income allows can lead to overspending and financial instability. Minimizing investments to reduce risk may prevent individuals from building wealth, as a certain level of risk is often necessary for growth. Lastly, prioritizing debt repayment over all other expenses could overlook essential living costs and result in further financial strain if necessary expenses are neglected. Thus, financial responsibility is best encapsulated by the wise management of finances while meeting obligations.

**7. What is the primary feature of peer-to-peer lending?**

- A. It requires a bank as an intermediary
- B. It facilitates borrowing and lending directly between individuals**
- C. It offers loans with fixed interest rates only
- D. It is only available for small amounts

The primary feature of peer-to-peer lending is that it facilitates borrowing and lending directly between individuals. This system bypasses traditional financial institutions, such as banks, which usually act as intermediaries in financial transactions. With peer-to-peer lending platforms, individuals can connect directly to lend money to other individuals who are seeking loans, often resulting in more favorable terms for both parties. This direct connection can lead to lower interest rates for borrowers and a potentially higher return for lenders, compared to what they might receive from a traditional savings account or investment. The emphasis on personal transactions in peer-to-peer lending makes it a flexible option for those looking for alternatives to conventional bank loans. The ability to negotiate terms and find personalized lending opportunities is a significant advantage over traditional lending processes. Thus, the essence of peer-to-peer lending is its direct nature, enabling individuals to manage their own borrowing and lending without bank involvement.

**8. Which insurance type covers damages to an insured person's home and belongings?**

- A. Health Insurance
- B. Homeowners Insurance**
- C. Auto Insurance
- D. Renter's Insurance

Homeowners insurance is specifically designed to provide financial protection against damages to an individual's home and personal belongings. This type of insurance typically covers losses that may arise from various perils such as fire, theft, vandalism, and certain natural disasters. Additionally, it may include liability coverage, which protects the homeowner from legal claims resulting from injuries or accidents that occur on their property. While health insurance focuses on medical expenses, auto insurance covers damages related to vehicles, and renter's insurance is tailored for those who rent their living space, protecting personal belongings within a rented property, it does not extend to the structure itself. Therefore, homeowners insurance is the most suitable choice for comprehensive coverage of both a person's home and its contents.



**9. Which characteristic is true for a short-term financial goal?**

- A. It typically spans over five years**
- B. It is difficult to measure**
- C. It can be achieved within a year**
- D. It requires a significant investment**

A short-term financial goal is characterized by its ability to be achieved relatively quickly, often within a year. This timeline allows individuals to focus on immediate financial needs or aspirations, such as saving for a vacation, building an emergency fund, or purchasing necessary items. The clear and concise timeframe makes it easier to plan and track progress, which is essential in maintaining motivation and discipline in personal finance. In contrast, goals that span over a longer period, like five years, would typically be classified as long-term financial goals. Additionally, short-term goals are generally straightforward to measure because they are defined with specific timeframes and targets. Finally, while some short-term goals may require investments, they do not usually necessitate significant financial commitments. Typically, significant investments are more aligned with long-term goals, which aim for larger financial objectives over extended periods.

**10. Which academic program is typically completed after 2 years of undergraduate study?**

- A. Graduate degree**
- B. Bachelor degree**
- C. Doctoral degree**
- D. Associate degree**

The Associate degree is a program that is generally completed after two years of undergraduate study, often at a community college or a junior college. This type of degree focuses on providing students with foundational knowledge and skills in a specific field or area of study, and it can serve as a stepping stone to a Bachelor degree, allowing students to transfer their credits to a four-year institution. In contrast, a Bachelor degree requires a longer commitment, typically encompassing four years of education, which builds on the coursework of an Associate degree and delves deeper into the subject matter. Graduate degrees, such as Master's and Doctoral degrees, follow the completion of a Bachelor degree and require additional years of study focused on advanced topics. Therefore, among the options provided, the Associate degree is the only one that aligns with the two-year timeframe for completion.

## 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://everfifinanciallithighschool.examzify.com>**

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