

# EverFi Financial Literacy 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**

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- 1. For a young adult, what could be a prioritized factor in choosing a financial account?**
  - A. Long-term investment returns**
  - B. Immediate access to funds**
  - C. Networking opportunities**
  - D. Brand popularity**
- 2. How do loan terms generally affect the cost of credit?**
  - A. Longer terms have lower interest rates**
  - B. Shorter loan terms have higher monthly payments and lower overall interest**
  - C. Longer terms reduce monthly payments**
  - D. Loan terms have no effect on overall cost**
- 3. What is renter's insurance?**
  - A. A policy for homeowners' protection**
  - B. Insurance for personal property loss or damage for renters**
  - C. An investment vehicle for tenants**
  - D. A type of healthcare insurance**
- 4. What characterizes a skilled consumer?**
  - A. Buying based on advertisements**
  - B. Shopping impulsively**
  - C. Researching before buying**
  - D. Choosing items based on brand**
- 5. Overdraft protection helps cover a purchase in your checking account when...**
  - A. You have excess funds available.**
  - B. You forgot your bank login.**
  - C. You don't have enough funds.**
  - D. You have already close the account.**

- 6. What is the main difference between fixed and variable interest rates?**
- A. Fixed rates are generally lower than variable rates**
  - B. A fixed interest rate remains the same throughout the loan term, while a variable interest rate can fluctuate based on market conditions**
  - C. Fixed rates can only be applied to savings accounts**
  - D. Variable rates are risk-free while fixed rates carry higher risks**

- 7. What type of account did Sawyer open, which requires a large initial deposit but offers high interest and easy access?**
- A. Regular savings account**
  - B. Money Market Account (MMA)**
  - C. Certificate of Deposit**
  - D. Checking account**

- 8. What is a good strategy to make informed purchase decisions?**
- A. Follow social media influencers**
  - B. Read reviews from other customers**
  - C. Choose the cheapest option**
  - D. Ask friends for recommendations**

- 9. When gifting money via check, what is a significant advantage?**
- A. It is faster than cash.**
  - B. It is safer because you can trace the transaction.**
  - C. It requires no fees.**
  - D. It can be easily lost.**

- 10. To deposit a check using a mobile banking app, what must you do?**
- A. Fill out a form online.**
  - B. Upload pictures of your signed check.**
  - C. Visit a physical bank branch.**
  - D. Email the check to the bank.**

## **Answers**

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

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## **Explanations**

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**1. For a young adult, what could be a prioritized factor in choosing a financial account?**

- A. Long-term investment returns**
- B. Immediate access to funds**
- C. Networking opportunities**
- D. Brand popularity**

Immediate access to funds is a prioritized factor for a young adult when choosing a financial account because, at this stage in life, individuals often need quick and easy access to their money for everyday expenses, emergencies, or financial independence. Young adults may be managing school expenses, starting their careers, or adjusting to living independently, all of which require prompt access to cash without excessive delays or limitations. While long-term investment returns, networking opportunities, and brand popularity can be important, they tend to be less critical for a young adult who is still establishing financial habits and may prioritize managing their immediate cash flow over long-term growth. Immediate access to funds ensures that young adults can handle their day-to-day financial needs effectively.

**2. How do loan terms generally affect the cost of credit?**

- A. Longer terms have lower interest rates**
- B. Shorter loan terms have higher monthly payments and lower overall interest**
- C. Longer terms reduce monthly payments**
- D. Loan terms have no effect on overall cost**

The correct choice is based on the understanding of how loan terms impact both monthly payments and the total cost of borrowing. Shorter loan terms typically result in higher monthly payments because the total amount borrowed must be repaid over a shorter time frame. However, because the loan is paid off more quickly, the borrower pays less interest overall compared to a longer-term loan. When a loan is extended over a longer period, the monthly payments are indeed lower, making it seem more manageable in the short term. However, this also means that more interest accrues over the life of the loan, which increases the total cost of borrowing. Therefore, while shorter loan terms lead to higher monthly payments, they also minimize the total interest paid, making them more cost-effective in the long run. This understanding is crucial when borrowers are evaluating their options and determining what loan structure aligns with their financial goals.

### 3. What is renter's insurance?

- A. A policy for homeowners' protection
- B. Insurance for personal property loss or damage for renters**
- C. An investment vehicle for tenants
- D. A type of healthcare insurance

Renter's insurance is specifically designed to protect tenants who rent their living spaces. This type of insurance provides coverage for personal property in the event of loss or damage due to various risks, such as theft, fire, or certain natural disasters. It ensures that if something happens to a tenant's belongings, they can receive compensation to replace or repair them, making it vital for anyone renting an apartment or house. While homeowners might have policies like homeowner's insurance that cover their entire property and structure, renter's insurance focuses exclusively on the personal belongings of the renter since the physical property itself is not owned by them. This distinction distinguishes renter's insurance from products designed for homeowners or healthcare-related insurances, as it targets the unique needs and risks that renters face. Additionally, renter's insurance does not serve as an investment vehicle, which is a financial product meant to generate returns over time. Instead, it is primarily a protective measure against potential losses. Therefore, the choice that correctly describes renter's insurance is the one focused on personal property loss or damage for those who rent their homes.

### 4. What characterizes a skilled consumer?

- A. Buying based on advertisements
- B. Shopping impulsively
- C. Researching before buying**
- D. Choosing items based on brand

A skilled consumer is characterized by the practice of researching before making a purchase. This approach involves gathering information about products, comparing prices, reading reviews, and considering various options before deciding what to buy. By doing thorough research, a skilled consumer can ensure that they are making informed choices, thus maximizing value for their money and minimizing the likelihood of buyer's remorse. This method of purchasing is aligned with smart financial decision-making, as it encourages consumers to be mindful of their spending habits and to critically assess the products they are interested in rather than relying solely on external influences. Engaging in such research enables consumers to find the best deals, understand the product quality, and ultimately feel more satisfied with their purchases.

## 5. Overdraft protection helps cover a purchase in your checking account when...

- A. You have excess funds available.
- B. You forgot your bank login.
- C. You don't have enough funds.**
- D. You have already closed the account.

Overdraft protection is a service offered by banks that allows you to complete a transaction even if you don't have enough funds in your checking account to cover it. When a purchase exceeds your available balance, overdraft protection can cover that difference, thereby preventing a declined transaction. This feature essentially provides a line of credit that temporarily allows the account holder to go into a negative balance up to a certain limit, ensuring that essential purchases can still be made. The other options do not accurately describe the function of overdraft protection. A scenario involving excess funds isn't relevant, as overdraft protection is specifically designed for situations where the available balance is insufficient. Forgetting a bank login doesn't relate to the available balance and affects account access but not transaction coverage. Lastly, having already closed the account means no transactions can occur, making it irrelevant to the purpose of overdraft protection.

## 6. What is the main difference between fixed and variable interest rates?

- A. Fixed rates are generally lower than variable rates
- B. A fixed interest rate remains the same throughout the loan term, while a variable interest rate can fluctuate based on market conditions**
- C. Fixed rates can only be applied to savings accounts
- D. Variable rates are risk-free while fixed rates carry higher risks

The main difference between fixed and variable interest rates lies in their behavior over time in relation to a loan or investment. A fixed interest rate remains constant for the entire duration of the loan or investment period, meaning that borrowers or investors will always pay or earn the same interest rate, providing stability and predictability when it comes to budgeting and financial planning. On the other hand, a variable interest rate is subject to change based on fluctuations in the market or an underlying index. As economic conditions shift, such as changes in inflation rates or central bank policies, the variable rate can increase or decrease, which means that borrowers might find their monthly payments changing over time. This variability can lead to potential savings if interest rates drop, but it can also result in higher costs if rates rise. This understanding is crucial for consumers when making decisions about loans, mortgages, or savings, as it affects both the total cost of borrowing and the potential returns on investments. The other options present inaccuracies regarding the nature of fixed and variable rates, making the choice of identifying the consistent nature of fixed rates compared to the fluctuating nature of variable rates the correct response.

7. What type of account did Sawyer open, which requires a large initial deposit but offers high interest and easy access?
- A. Regular savings account
  - B. Money Market Account (MMA)**
  - C. Certificate of Deposit
  - D. Checking account

Sawyer opened a Money Market Account (MMA), which is designed to provide a balance between the savings of a traditional account and the accessibility of a checking account. MMAs typically require a larger initial deposit compared to regular savings accounts, and they often offer higher interest rates as a result. The funds in a Money Market Account can still be accessed relatively easily, allowing for limited withdrawals and transfers, making it a flexible option for individuals who want to earn a higher return on their money while maintaining some degree of liquidity. In contrast, a regular savings account typically has lower interest rates and fewer requirements for deposits, while a Certificate of Deposit (CD) involves locking funds for a set period to earn higher interest, which restricts access. A checking account, on the other hand, is primarily meant for daily transactions and does not usually offer interest or require a large initial deposit.

8. What is a good strategy to make informed purchase decisions?
- A. Follow social media influencers
  - B. Read reviews from other customers**
  - C. Choose the cheapest option
  - D. Ask friends for recommendations

Reading reviews from other customers is an excellent strategy for making informed purchase decisions because it provides insights from people who have already used the product or service. These reviews often highlight the actual experience, benefits, and drawbacks associated with the item. This firsthand feedback can help you understand the quality, effectiveness, and reliability of a product, which is crucial for making a well-rounded decision. While following social media influencers may provide some insights, their endorsements might lack the depth of individual user experiences. Choosing the cheapest option might lead to poor quality, as low price does not always correlate with value or satisfaction. Asking friends for recommendations can be helpful, yet it may not encompass a broad range of experiences or options, which customer reviews can provide. By prioritizing reviews, you're more likely to base your purchase on objective information rather than subjective opinions or marketing hype.

**9. When gifting money via check, what is a significant advantage?**

- A. It is faster than cash.**
- B. It is safer because you can trace the transaction.**
- C. It requires no fees.**
- D. It can be easily lost.**

Gifting money via check has a significant advantage in that it is safer because you can trace the transaction. This traceability is important for both the giver and the receiver. When a check is written, it creates a record of the transaction that can be tracked back to the bank account of the person who wrote the check. This allows both parties to have documentation of the gift, which can be useful for personal financial records or in situations where clarification is needed about the transfer of funds. This safety feature also means that in case of a dispute or misunderstanding, there is a tangible record that can be referenced, unlike cash, which leaves no paper trail. Furthermore, if a check is lost or stolen, it can be canceled or stopped, providing an additional layer of security that cash does not offer. The other options do not highlight the same level of importance. For instance, checks can often take longer to process than cash, and there are typically fees associated with certain types of checks. Additionally, while it's true that checks can be lost, this represents a disadvantage rather than an advantage.

**10. To deposit a check using a mobile banking app, what must you do?**

- A. Fill out a form online.**
- B. Upload pictures of your signed check.**
- C. Visit a physical bank branch.**
- D. Email the check to the bank.**

To deposit a check using a mobile banking app, you must upload pictures of your signed check. This process typically involves taking clear photos of both the front and back of the check using your smartphone's camera within the app. By doing so, the bank can process the check electronically, allowing for a convenient and efficient way to deposit funds without needing to visit a bank branch. The requirement to sign the back of the check is also crucial, as it serves as your authorization for the deposit, confirming that you agree to the transaction. Mobile check deposits have become increasingly popular since they save time and make banking more accessible for users.

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

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

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