

EVERFI FINANCIAL LITERACY PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE

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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. What is a significant advantage of taking out a federal student loan over a private loan?**
 - A. You may qualify for loan forgiveness after graduation
 - B. The interest rates are typically lower
 - C. They do not require a credit check
 - D. They have no repayment obligations
- 2. How should Carlos categorize paying his insurance when using the 50-30-20 method?**
 - A. Wants
 - B. Savings
 - C. Needs
 - D. Debts
- 3. How can one enhance their financial literacy?**
 - A. By ignoring financial news
 - B. By participating in workshops
 - C. By avoiding online resources
 - D. By focusing on savings accounts only
- 4. What should be included in the "wants" category of a budget?**
 - A. Shelter
 - B. Groceries
 - C. Entertainment
 - D. Utilities
- 5. What are the benefits of having a strong credit score?**
 - A. Easier access to loans
 - B. Higher taxes
 - C. Limited loan options
 - D. Higher insurance premiums

- 6. What is a traditional IRA?**
- A. A personal savings account
 - B. An Individual Retirement Account
 - C. A short-term investment account
 - D. A checking account with tax benefits
- 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. Why might a young professional like Zack need insurance protections absent in traditional employment?**
- A. To avoid paying for business expenses.
 - B. To cover potential income gaps due to instability.
 - C. To receive additional benefits from clients.
 - D. To ensure immediate funds for small projects.
- 9. What type of predatory loan offer did Emery experience, indicated by extra fees not impacting her loan balance?**
- A. Hidden fees
 - B. Payday loan
 - C. Subprime loan
 - D. Peer-to-peer loan
- 10. What is one major factor that can enhance the reliability of an online review?**
- A. Anonymous posting
 - B. Reviews with detailed feedback
 - C. General opinions without specifics
 - D. Reviews lacking verification

Answers

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

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Explanations

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1. What is a significant advantage of taking out a federal student loan over a private loan?

A. You may qualify for loan forgiveness after graduation

B. The interest rates are typically lower

C. They do not require a credit check

D. They have no repayment obligations

A significant advantage of taking out a federal student loan is the possibility of qualifying for loan forgiveness after graduation. Federal student loan programs, such as those offered under the Direct Loan program, often include provisions for loan forgiveness, particularly for borrowers who enter specific public service fields or who meet certain income-driven repayment criteria over a period of time. This feature provides a safety net for graduates who may struggle with their debt load, making federal loans a more attractive option for many students. Private loans typically do not offer these forgiveness options, which means borrowers are responsible for repaying the entire amount owed regardless of their post-graduation circumstances. While interest rates for federal loans can sometimes be lower than those for private loans, it is not universally the case, as rates can vary widely depending on the lender and the borrower's creditworthiness. Additionally, federal loans often do not require a credit check, as they are primarily based on the student's financial need; private loans, however, usually assess the borrower's credit history and overall credit score, which can impact approval and terms. Lastly, federal loans do have repayment obligations that begin after a certain period, making option D incorrect.

2. How should Carlos categorize paying his insurance when using the 50-30-20 method?

A. Wants

B. Savings

C. Needs

D. Debts

In the 50-30-20 budgeting method, expenses are divided into three categories: needs, wants, and savings. When determining how to categorize insurance payments, it's important to recognize that they are essential for protecting one's health, property, and finances. This makes them a necessary expense rather than a discretionary one. Insurance payments fulfill a fundamental need because they help prevent significant financial loss due to unforeseen events, such as accidents, health issues, or property damage. Therefore, categorizing insurance payments as "needs" reflects the crucial role they play in financial security and risk management. While savings and debts are also important aspects of financial management, they do not pertain to insurance payments in this context. Wants refer to discretionary spending on non-essential items or experiences. Thus, Carlos correctly identifies insurance as a need within the framework of the 50-30-20 budgeting method.

3. How can one enhance their financial literacy?

- A. By ignoring financial news
- B. By participating in workshops**
- C. By avoiding online resources
- D. By focusing on savings accounts only

Participating in workshops is an effective method for enhancing financial literacy because these sessions provide structured learning environments where individuals can gain valuable knowledge from experts. Workshops often cover a variety of important financial topics, such as budgeting, investing, credit management, and financial planning. They typically encourage interaction and discussion, which can lead to a deeper understanding of financial concepts as participants can ask questions and engage with real-life scenarios. Additionally, workshops often provide resources and tools that can be utilized beyond the session, allowing attendees to apply their new knowledge in practical situations. This proactive approach to learning about finances greatly enhances one's ability to make informed decisions and manage personal financial matters effectively.

4. What should be included in the "wants" category of a budget?

- A. Shelter
- B. Groceries
- C. Entertainment**
- D. Utilities

The "wants" category of a budget encompasses expenses that enhance your lifestyle but are not essential for basic survival or security. Entertainment fits perfectly into this category as it includes activities like dining out, movies, vacations, and hobbies that bring enjoyment but can be considered discretionary spending. Understanding the classification of expenses is crucial for effective budgeting. "Wants" are generally non-essential, meaning that while they may contribute to your happiness and quality of life, you can live without them if necessary. This distinction allows individuals to prioritize their spending and make informed financial decisions. In contrast, shelter, groceries, and utilities are typically classified as "needs." These are fundamental expenses necessary for maintaining a basic standard of living. Recognizing the difference between needs and wants helps in effective financial planning and aids individuals in making choices that align with their financial goals.

5. What are the benefits of having a strong credit score?

- A. Easier access to loans**
- B. Higher taxes
- C. Limited loan options
- D. Higher insurance premiums

Having a strong credit score provides several advantages, with easier access to loans being one of the most significant benefits. A high credit score signals to lenders that you are a responsible borrower who has a history of repaying debts on time. This credibility makes them more likely to approve your loan applications, whether for a mortgage, car loan, or personal loan. Additionally, individuals with strong credit scores often qualify for lower interest rates, which can save them a considerable amount of money over time. In contrast, a low credit score can lead to higher interest rates, limited loan options, and possible rejection of loan applications, which increases the financial burden on borrowers. Hence, maintaining a strong credit score is essential for improving financial opportunities and reducing costs associated with borrowing.

6. What is a traditional IRA?

- A. A personal savings account
- B. An Individual Retirement Account**
- C. A short-term investment account
- D. A checking account with tax benefits

A traditional IRA, or Individual Retirement Account, is a financial account designed specifically for retirement savings. It allows individuals to contribute pre-tax income, which can lower their taxable income for the year those contributions are made. The funds in a traditional IRA grow tax-deferred until they are withdrawn during retirement, at which point they are taxed as ordinary income. This type of account encourages long-term savings for retirement, providing tax advantages that can help individuals build a larger nest egg by allowing their investments to compound without immediate tax implications. Unlike regular savings or checking accounts, which may not offer significant tax benefits, a traditional IRA serves a specific purpose related to long-term financial planning and retirement readiness.

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. Why might a young professional like Zack need insurance protections absent in traditional employment?

- A. To avoid paying for business expenses.
- B. To cover potential income gaps due to instability.**
- C. To receive additional benefits from clients.
- D. To ensure immediate funds for small projects.

A young professional like Zack might need insurance protections absent in traditional employment primarily to cover potential income gaps due to instability. Unlike traditional jobs, which often provide a consistent paycheck and benefits like paid sick leave and health insurance, self-employed individuals or those in gig work may face irregular income due to fluctuations in workload or client demand. Insurance can help mitigate these risks by providing financial support in the event of an unexpected loss of income, allowing Zack to maintain his financial stability even during lean periods. The other options do not directly address the need for insurance in the context of income protection. Avoiding business expenses does not relate to insurance needs, while receiving additional benefits from clients does not provide the same security as insurance. Similarly, ensuring immediate funds for small projects does not reflect the broader financial protection that insurance can offer for income instability.

9. What type of predatory loan offer did Emery experience, indicated by extra fees not impacting her loan balance?

- A. Hidden fees**
- B. Payday loan
- C. Subprime loan
- D. Peer-to-peer loan

Emery experienced a predatory loan offer characterized by hidden fees, which are additional charges or costs that are not clearly disclosed upfront and do not directly affect the principal balance of the loan. These hidden fees can significantly inflate the overall cost of the loan and catch borrowers off guard, contributing to their financial distress. Unlike straightforward loan structures where all costs are transparent, hidden fees can make it difficult for borrowers to understand the total cost of borrowing or compare different loan offers effectively. In this context, hidden fees are particularly insidious because they can lead to unexpected financial burdens that may not be apparent at the outset. Borrowers like Emery may believe they are taking on a manageable loan, only to find that additional costs have been tacked on, making repayment more difficult. Other types of loans mentioned could involve different characteristics: payday loans are typically small, short-term loans with high interest; subprime loans target borrowers with lower credit scores and often come with higher interest rates; and peer-to-peer loans are facilitated through online platforms connecting borrowers directly with investors. None of these specifically focus on the issue of hidden fees in the same way as the predatory loan offer Emery experienced.

10. What is one major factor that can enhance the reliability of an online review?

- A. Anonymous posting
- B. Reviews with detailed feedback**
- C. General opinions without specifics
- D. Reviews lacking verification

One major factor that can enhance the reliability of an online review is the presence of detailed feedback. When reviews include specific information about a user's experience, such as particular features they liked or disliked and examples of their interactions, they provide a clearer and more comprehensive picture of what to expect. This level of detail helps potential consumers better assess the credibility of the review and makes it easier to determine if the reviewer's experience is relevant to their own potential purchases. Detailed feedback can also help to distinguish genuine reviews from vague or overly general opinions, which may not provide enough context to be useful. Conversely, anonymous posting and reviews lacking verification tend to decrease trust, as they do not assure readers of the reviewer's identity or accountability. Reviews that offer general opinions without specifics can lack the depth needed for a strong assessment and may not significantly influence decision-making. Therefore, reviews containing detailed information are more likely to be perceived as reliable and trustworthy by potential consumers.

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://everfifinanciallit.examzify.com>

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

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