

# GFL Financial Literacy Practice Test (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. Unsecured Credit: Unsecured credit cards are not secured by collateral.**
  - A. Unsecured credit cards are not secured by collateral.**
  - B. They are secured by collateral such as a house or car.**
  - C. They require collateral deposit.**
  - D. They are always insured by the state.**
  
- 2. Which term describes money saved with an insured, fixed-term deposit at a bank?**
  - A. Certificate of Deposit (CD)**
  - B. Savings**
  - C. Investment**
  - D. Retirement Planning**
  
- 3. What is the purpose of late fees in credit card terms?**
  - A. They encourage on-time payments.**
  - B. They are discounts.**
  - C. They increase credit limits automatically.**
  - D. They eliminate interest.**
  
- 4. Are private post-secondary institutions in Utah necessarily for profit?**
  - A. True**
  - B. False**
  - C. Only non-profit organizations**
  - D. They are always for-profit**
  
- 5. The FDIC provides deposit insurance up to how much per ownership category in each insured bank?**
  - A. \$100,000**
  - B. \$250,000**
  - C. \$500,000**
  - D. \$1,000,000**

- 6. Remote Check Deposit enables you to image and deposit a check using a smartphone.**
- A. A consumer banking technology where you image (take a picture of) and deposit a check using a smartphone.**
  - B. A method to transfer funds between banks via wire transfer.**
  - C. A service that blocks fraudulent card activity.**
  - D. A feature that only works on desktop computers.**
- 7. Time Value of Money (TVM) reflects which core idea?**
- A. Money available now is worth more than the same amount in the future because it can earn interest.**
  - B. Future money is always worth more due to inflation.**
  - C. Money loses value only when invested in stocks.**
  - D. Money's value does not depend on time or earning potential.**
- 8. Which statement accurately describes the Grace Period?**
- A. During the grace period no late fees are charged and default or cancellation is avoided.**
  - B. The grace period extends the policy term automatically.**
  - C. The grace period increases the coverage amount.**
  - D. The grace period only applies to medical plans.**
- 9. When was the Federal Reserve created?**
- A. 1907**
  - B. 1913**
  - C. 1929**
  - D. 1933**
- 10. Which statement about the two main types of IRAs mentioned is true?**
- A. Traditional IRAs and Roth IRAs have distinct qualifications and withdrawal rules.**
  - B. There is only one type of IRA with no tax differences.**
  - C. IRAs are always taxable on contributions and withdrawals.**
  - D. IRAs must be funded with stock investments only.**

## Answers

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

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## **Explanations**

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**1. Unsecured Credit: Unsecured credit cards are not secured by collateral.**

**A. Unsecured credit cards are not secured by collateral.**

**B. They are secured by collateral such as a house or car.**

**C. They require collateral deposit.**

**D. They are always insured by the state.**

Unsecured credit means no asset is pledged to guarantee repayment. For unsecured credit cards, approval comes from your creditworthiness—your credit score, income, and past payment history—rather than a collateral asset. Because there's no collateral backing the debt, the lender bears more risk and relies on your promise to repay; they may offset that risk with higher interest rates, lower credit limits, or penalties if you miss payments. In contrast, secured credit involves pledging something of value, like a house, a car, or a cash deposit, which the lender can claim if you don't repay. State-backed insurance doesn't apply to credit card debt itself, though bank deposits can be insured separately. So the statement that unsecured credit cards are not secured by collateral is accurate.

**2. Which term describes money saved with an insured, fixed-term deposit at a bank?**

**A. Certificate of Deposit (CD)**

**B. Savings**

**C. Investment**

**D. Retirement Planning**

Think of a certificate of deposit as the money you commit to keep in a bank for a specific period in exchange for a guaranteed interest rate. It's an insured deposit, meaning government backing up to a limit protects your principal. The fixed-term aspect means your funds are tied up for a set duration—months or years—and typically you'll earn more interest than a regular savings account. If you withdraw early, you usually face a penalty, which is part of the trade-off for the higher rate. This makes it distinct from a general savings balance, which you can access anytime and which may have a lower or variable rate, and from investments, which carry more risk and aren't guaranteed. Retirement planning is a broader strategy, not a single deposit product.

**3. What is the purpose of late fees in credit card terms?**

**A. They encourage on-time payments.**

**B. They are discounts.**

**C. They increase credit limits automatically.**

**D. They eliminate interest.**

Late fees are penalties charged when a payment is not received by the due date. Their purpose is to encourage on-time payments by making missing a due date more costly. This helps the lender cover extra processing costs and discourages late behavior, reducing the risk of unpaid balances. Late fees are not discounts, they do not automatically increase credit limits, and they do not eliminate interest. If a payment is late, interest still accrues on the balance, and in some cases late payments can lead to higher interest rates or other penalty terms, but the main function of the late fee is to motivate timely payments and compensate for the extra work and risk of a late payment.

**4. Are private post-secondary institutions in Utah necessarily for profit?**

- A. True
- B. False**
- C. Only non-profit organizations
- D. They are always for-profit

The main idea is that private status and profit status are separate. Being private means the institution isn't owned or funded by the state, but it doesn't decide whether the school operates to earn profits or to support an educational mission. In Utah, private post-secondary schools can be either nonprofit or for-profit. Nonprofit private schools reinvest any earnings to support their educational mission and maintain tax-exempt status, while for-profit private schools distribute earnings to owners or shareholders. Tuition and other revenue can come from both types, but the profit motive determines how earnings are handled, not the fact that the school is private. So, private post-secondary institutions in Utah are not necessarily for-profit; they can be either nonprofit or for-profit.

**5. The FDIC provides deposit insurance up to how much per ownership category in each insured bank?**

- A. \$100,000
- B. \$250,000**
- C. \$500,000
- D. \$1,000,000

FDIC deposit insurance protects deposits up to \$250,000 for each ownership category at every insured bank. This means the insurance limit is not just one total per person at a bank, but \$250,000 for each category of ownership you hold decisions in. For example, you could have up to \$250,000 insured in a single-owner account and, separately, up to \$250,000 insured in a retirement account at the same bank, since these are different ownership categories. Different accounts held in joint ownership, revocable trust, or other qualifying categories also have their own \$250,000 limits per category, as long as they meet the category rules. So the maximum per ownership category is \$250,000.

**6. Remote Check Deposit enables you to image and deposit a check using a smartphone.**

- A. A consumer banking technology where you image (take a picture of) and deposit a check using a smartphone.**
- B. A method to transfer funds between banks via wire transfer.
- C. A service that blocks fraudulent card activity.
- D. A feature that only works on desktop computers.

Remote Check Deposit is a mobile banking feature that lets you take a photo of a check with your smartphone and submit it to the bank for deposit. This is exactly what the statement describes: you image the check and deposit it using a smartphone, eliminating the need to visit a branch or ATM. The other options describe different services (wire transfers move funds between banks; fraud-blocking helps protect cards; and desktop-only claims ignore the mobile capability).

## 7. Time Value of Money (TVM) reflects which core idea?

- A. Money available now is worth more than the same amount in the future because it can earn interest.**
- B. Future money is always worth more due to inflation.
- C. Money loses value only when invested in stocks.
- D. Money's value does not depend on time or earning potential.

Time Value of Money is the idea that money you have today is worth more than the same amount in the future because it can be invested to earn interest or other returns. That earning potential creates the opportunity cost of waiting; with time and a positive return, today's money can grow, so a dollar now is worth more than a dollar later. For example, at 5% interest, \$100 today becomes \$105 a year from now, illustrating how money can increase with time. The broader idea also lets you translate future sums back into today's terms by discounting: a future amount is worth less today the farther away it is and the lower the return rate. Inflation and investment risks can affect how much value grows or shrinks, but the core concept is that time and earning potential give today's money more value than the same amount in the future. The other statements don't fit because inflation doesn't simply make future money always worth more, investing value isn't limited to stocks, and money's value is indeed tied to time and earning potential.

## 8. Which statement accurately describes the Grace Period?

- A. During the grace period no late fees are charged and default or cancellation is avoided.**
- B. The grace period extends the policy term automatically.
- C. The grace period increases the coverage amount.
- D. The grace period only applies to medical plans.

Grace period is the extra time after a premium is due to pay without losing coverage. During this window, late fees are typically avoided and the policy remains in force, so cancellation is not triggered as long as payment is made by the end of the period. This helps keep protection in place if you're briefly unable to pay on time. The length of the grace period varies by policy, it doesn't extend the policy term, and it doesn't increase coverage. It's also not limited to medical plans. If you miss paying by the end of the grace period, the policy can lapse and coverage may end.

## 9. When was the Federal Reserve created?

- A. 1907
- B. 1913**
- C. 1929
- D. 1933

Central banking in the United States began with the Federal Reserve Act of 1913, which created the Federal Reserve System to stabilize the banking system and manage monetary policy. This creation was a response to the financial panic of 1907, illustrating the need for a lender of last resort and a more flexible monetary framework. The Act was signed into law in 1913, and the Fed started operating in 1914 with twelve regional banks and a Board of Governors. The other dates point to later events: 1907 is the panic that spurred reform, 1929 marks the stock market crash, and 1933 brought major banking reforms, but the Fed's creation happened in 1913.

**10. Which statement about the two main types of IRAs mentioned is true?**

**A. Traditional IRAs and Roth IRAs have distinct qualifications and withdrawal rules.**

**B. There is only one type of IRA with no tax differences.**

**C. IRAs are always taxable on contributions and withdrawals.**

**D. IRAs must be funded with stock investments only.**

Understanding how traditional and Roth IRAs differ in tax treatment and withdrawal rules helps you compare options. Traditional IRAs often allow a tax deduction for contributions if you qualify, and the account grows tax-deferred until you withdraw. Withdrawals are taxed as ordinary income, and early withdrawals usually incur a penalty, with required minimum distributions starting at around age 72. Roth IRAs are funded with after-tax money, so qualified withdrawals are tax-free, and there are no up-front deductions or lifetime required minimum distributions in most cases. They also have different eligibility and contribution rules. Because of these differences, the statement that traditional IRAs and Roth IRAs have distinct qualifications and withdrawal rules is true.

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

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

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