

# NGPF Personal Finance Practice Exam (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. Who benefits from Social Security?**

- A. Only retired workers**
- B. All citizens**
- C. Retirees, military families, and the disabled**
- D. Only those who contribute to the program**

**2. Which investment involves a higher degree of uncertainty?**

- A. Real estate investments**
- B. Bonds**
- C. Stocks**
- D. Cash savings**

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

- A. Spending less than your income**
- B. Investing all your income**
- C. Borrowing to invest**
- D. Saving more than you earn**

**4. What type of tax is collected from wages to fund programs like Social Security and Medicare?**

- A. Sales Tax**
- B. Employment Tax**
- C. Property Tax**
- D. Excise Tax**

**5. What is a budget?**

- A. A financial assessment of past economic situations**
- B. A financial plan that outlines expected income and expenses**
- C. A document for tracking spending habits**
- D. A report on the current financial status of an individual**

**6. What does it mean to "invest"?**

- A. To spend money quickly**
- B. To put money into an asset with profit expectation**
- C. To save for emergencies**
- D. To borrow money for expenses**

**7. What are taxes paid by employees to government authorities classified as?**

- A. Income Tax**
- B. Property Tax**
- C. Sales Tax**
- D. Capital Gains Tax**

**8. What does a loan represent?**

- A. A fee for service rendered**
- B. An amount given for a period with repayment promise**
- C. A gift with no expected repayment**
- D. A tax on borrowed money**

**9. What does it mean by a fixed interest rate?**

- A. The rate changes monthly**
- B. The rate remains constant over time**
- C. The rate is based on credit score**
- D. The rate is negotiated each year**

**10. What is a bond?**

- A. A type of equity investment**
- B. A security where the investor loans money to a company or government**
- C. A method to diversify investments**
- D. A financial plan for retirement**

## **Answers**

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

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## **Explanations**

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## 1. Who benefits from Social Security?

- A. Only retired workers
- B. All citizens
- C. Retirees, military families, and the disabled**
- D. Only those who contribute to the program

Social Security is a federal program designed to provide financial assistance to various groups of individuals who may face income challenges. The program primarily benefits retirees, who receive monthly benefits based on their earnings history. Additionally, it extends support to disabled individuals who are unable to work due to serious health conditions, ensuring that they can still have some financial stability. Moreover, military families can also benefit from Social Security. Certain provisions are in place to support spouses and children of military personnel, particularly when the service member has passed away or is disabled, highlighting the program's inclusive nature. Thus, the correct option acknowledges that Social Security is not limited to one specific group, but rather serves retirees, military families, and those with disabilities, facilitating a broader safety net for various populations in society.

## 2. Which investment involves a higher degree of uncertainty?

- A. Real estate investments
- B. Bonds
- C. Stocks**
- D. Cash savings

Investing in stocks involves a higher degree of uncertainty compared to the other options. This is primarily due to the nature of the stock market, which is influenced by a variety of factors such as market conditions, economic trends, company performance, and investor sentiment. The value of a stock can fluctuate widely over short periods based on these elements, leading to greater potential for both high returns and significant losses. In contrast, real estate investments, while also carrying risks, typically involve more stable valuations over time and can provide rental income, which adds a layer of consistency that stocks lack. Bonds are generally considered safer investments, as they provide fixed interest payments and the return of principal at maturity, thus carrying less uncertainty. Cash savings are the least uncertain, often backed by government insurance (like FDIC in the U.S.), which guarantees the principal amount but offers minimal return due to low-interest rates. Thus, the inherent volatility of stocks, driven by various unpredictable factors, clearly establishes them as the investment option with the highest degree of uncertainty.

### 3. What does it mean to "live within your means"?

- A. Spending less than your income**
- B. Investing all your income**
- C. Borrowing to invest**
- D. Saving more than you earn**

"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 means that you ensure your spending habits align with the amount of money you earn, allowing you to avoid debt and maintain a healthy financial situation. When individuals live within their means, they typically budget their expenses to ensure they can cover essential costs such as housing, food, and transportation while leaving room for savings and discretionary spending. This approach promotes financial stability and security, reducing the risk of financial hardship or reliance on credit. The other choices relate to financial activities but do not capture the fundamental concept of living within your means. For example, investing all your income may not allow for living expenses, borrowing to invest involves taking on debt, and saving more than you earn suggests a level of income that is not possible if one is spending more than they actually have. The essence of living within your means is fundamentally about maintaining a balance between income and expenses.

### 4. What type of tax is collected from wages to fund programs like Social Security and Medicare?

- A. Sales Tax**
- B. Employment Tax**
- C. Property Tax**
- D. Excise Tax**

Employment tax is the type of tax collected from wages specifically to fund programs such as Social Security and Medicare. This tax is a significant component of the overall payroll tax system in the United States. When employees receive their paychecks, a portion of their earnings is withheld for these taxes, which directly support the essential social safety net programs providing benefits to retirees, the disabled, and other eligible individuals. Social Security tax contributes to the federal Old-Age, Survivors, and Disability Insurance (OASDI) program, while Medicare tax supports health insurance for individuals aged 65 and older and for some younger people with disabilities. This system ensures that funds are available for these vital programs, which many Americans rely on for financial security in retirement or during periods of health-related challenges. Other types of taxes, like sales tax, property tax, and excise tax, serve different functions and fund various public services or infrastructure, but they do not specifically target the funding of Social Security and Medicare like employment taxes do.

## 5. What is a budget?

- A. A financial assessment of past economic situations
- B. A financial plan that outlines expected income and expenses**
- C. A document for tracking spending habits
- D. A report on the current financial status of an individual

A budget is fundamentally a financial plan that outlines expected income and expenses for a specific period, typically a month or a year. It serves as a roadmap for individuals or families to manage their finances effectively by anticipating their income sources, such as salaries or investments, and forecasting their expenses, which can include fixed costs like rent and variable costs like groceries. Creating a budget helps establish financial goals, prioritize spending, and ensures that expenditures do not exceed income. It is an essential tool for achieving savings objectives and managing debt. By forecasting what one expects to earn and spend, it provides clarity and direction in financial decision-making, allowing individuals to make informed choices about their money management.

## 6. What does it mean to "invest"?

- A. To spend money quickly
- B. To put money into an asset with profit expectation**
- C. To save for emergencies
- D. To borrow money for expenses

Investing refers to the act of allocating resources, typically money, into an asset with the expectation that it will generate a profit or increase in value over time. This is often done through various avenues such as stocks, bonds, real estate, or mutual funds, among others. The key aspect of investing is the intention of earning a return on the initial amount put in, which differentiates it from merely spending or saving. When individuals invest, they are usually looking to build wealth and achieve financial goals, such as retirement, buying a home, or funding education. This process involves some level of risk, as the value of the investments can fluctuate, but the potential for profit is a primary motivator. In contrast, the other options describe financial actions that do not align with the concept of investing. Spending money quickly does not involve a strategy for growth, saving for emergencies focuses on liquidity and accessibility rather than generating profit, and borrowing money pertains to taking on debt rather than putting money into assets.

## 7. What are taxes paid by employees to government authorities classified as?

- A. Income Tax**
- B. Property Tax**
- C. Sales Tax**
- D. Capital Gains Tax**

Taxes paid by employees to government authorities are classified as income tax because these taxes are based on the income earned by individuals and are typically withheld directly from their paychecks by their employers. This withholding includes federal, state, and sometimes local taxes, which contribute to funding government services and programs. Income tax is a progressive tax, meaning that the rate increases as the taxpayer's income increases. It is distinctive in that it directly impacts the earnings of employees, tying the tax obligation to their personal financial situation. On the other hand, property tax relates to real estate ownership, sales tax is associated with the purchase of goods and services, and capital gains tax pertains to the profit made from the sale of assets like stocks or property. Each of those other tax types serves different purposes and targets different sources of income or value.

## 8. What does a loan represent?

- A. A fee for service rendered**
- B. An amount given for a period with repayment promise**
- C. A gift with no expected repayment**
- D. A tax on borrowed money**

A loan represents an amount given for a specific period with a promise to repay. This definition captures the essence of a loan, which involves the lender providing a certain sum of money to the borrower. The borrower agrees to return the principal amount, often along with interest, over an agreed schedule. This arrangement is formalized through a loan agreement that outlines the terms, including the repayment duration, interest rate, and any associated fees. The key aspect of a loan is the expectation of repayment. This distinguishes it from a gift, where no repayment is anticipated, and it also differs from a fee for service, which is a charge for specific services rendered. Additionally, while loans may incur interest, they are not simply a tax on borrowed money, as loans entail a contractual obligation rather than a government-mandated levy. Thus, viewing a loan as an amount provided with the expectation of future repayment accurately reflects its financial nature.

## 9. What does it mean by a fixed interest rate?

- A. The rate changes monthly
- B. The rate remains constant over time**
- C. The rate is based on credit score
- D. The rate is negotiated each year

A fixed interest rate refers to a loan or investment interest rate that remains constant throughout the life of the loan or investment. This means that the borrower or investor will pay the same interest amount for each period, providing predictable and stable monthly payments. This consistency helps individuals plan their budgets and financial commitments, as they won't face unexpected increases in interest costs over time. Fixed interest rates are commonly associated with long-term loans, such as mortgages or auto loans, where stability is particularly valued. In contrast, interest rates that change or fluctuate — such as the ones described in the other options — can lead to uncertainty in financial planning, making it challenging for borrowers to know exactly how much they will owe in the future.

## 10. What is a bond?

- A. A type of equity investment
- B. A security where the investor loans money to a company or government**
- C. A method to diversify investments
- D. A financial plan for retirement

A bond is a financial instrument that represents a loan made by an investor to a borrower, typically a corporation or government. When a person purchases a bond, they are essentially lending their money to the issuer in exchange for periodic interest payments and the return of the bond's face value upon maturity. This form of investment is considered a debt security, as the investor is acting as the lender, while the issuing entity is the borrower that commits to paying back the principal along with interest over a specified period. In contrast to equity investments, where individuals buy shares of a company's stock and thus acquire ownership, bonds are strictly a lending arrangement. Additionally, while diversification is a critical investment strategy, it does not specifically define what a bond is. Lastly, bonds are not a financial plan for retirement but can be a component of a broader investment strategy to generate income as part of retirement planning.

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

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

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