

Primerica General Practice Exam (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

- 1. What is a "financial calculator" commonly utilized for?**
 - A. Calculating taxes owed each year**
 - B. Performing calculations related to loans, savings, and investments**
 - C. Estimating market trends and economic growth**
 - D. Determining property valuations in real estate**
- 2. Which statement is TRUE regarding irrevocable beneficiaries?**
 - A. They can be changed only with written consent.**
 - B. They may be changed at any time.**
 - C. They can never be changed.**
 - D. They may only be changed on the policy anniversary.**
- 3. What is the role of an actuary in insurance?**
 - A. To manage customer service inquiries**
 - B. To analyze data for risk assessment**
 - C. To provide claims support**
 - D. To sell insurance policies**
- 4. What role does a credit score play in financial borrowing?**
 - A. It determines the amount of cash available**
 - B. It determines the terms and interest rates of loans**
 - C. It guarantees loan approval**
 - D. It assesses spending habits**
- 5. What is the main purpose of insurance?**
 - A. To provide long-term financial stability**
 - B. To protect against financial losses**
 - C. To generate investment income**
 - D. To facilitate loans**
- 6. What is a diversified portfolio?**
 - A. A collection of all recent investments**
 - B. A collection of various investments to reduce risk**
 - C. A strategy to minimize tax liabilities**
 - D. A method of tracking market trends**

- 7. What is a primary characteristic of a term life insurance policy?**
- A. It accumulates cash value over time**
 - B. It provides coverage for a specific term or period**
 - C. It is automatically renewable**
 - D. It can pay dividends**
- 8. Which policy component decreases in decreasing term insurance?**
- A. Dividend**
 - B. Premium**
 - C. Face amount**
 - D. Cash value**
- 9. Which characteristic is unique to variable universal life insurance?**
- A. Fixed premium**
 - B. Flexible premium**
 - C. Loan options**
 - D. Conversion option**
- 10. What does "tax deferred" mean in financial terms?**
- A. Earnings on an investment that are taxed annually**
 - B. Investment income that is not taxed until withdrawn**
 - C. Profits from trades that are taxed immediately**
 - D. Funds that are exempt from all forms of taxation**

Answers

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

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Explanations

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1. What is a "financial calculator" commonly utilized for?

- A. Calculating taxes owed each year**
- B. Performing calculations related to loans, savings, and investments**
- C. Estimating market trends and economic growth**
- D. Determining property valuations in real estate**

A financial calculator is specifically designed to perform calculations that pertain to financial transactions, including loans, savings, and investments. This tool can compute various financial metrics such as present value, future value, interest rates, payment amounts, and loan amortizations, which are essential for making informed financial decisions. For instance, if a user wants to determine how much they need to save each month to reach a specific investment goal, a financial calculator can quickly provide that answer. Similarly, it helps in understanding the implications of varying interest rates on loan repayments, making it a vital tool for both consumer finance and investment planning. While the other options involve financial concepts, they do not encapsulate the primary function of a financial calculator. Calculating taxes, estimating market trends, and determining property valuations involve more complex analyses that typically require different types of tools or databases rather than a standard financial calculator. Thus, the focus of a financial calculator is precisely on loans, savings, and investment calculations.

2. Which statement is TRUE regarding irrevocable beneficiaries?

- A. They can be changed only with written consent.**
- B. They may be changed at any time.**
- C. They can never be changed.**
- D. They may only be changed on the policy anniversary.**

An irrevocable beneficiary is a person or entity designated to receive benefits from a policy that cannot be changed or removed by the policyholder without explicit consent from the beneficiary. This means that if a policyholder wishes to make any alterations regarding an irrevocable beneficiary, they must obtain written consent from that beneficiary. This provides the beneficiary with a higher level of security, as their right to receive benefits cannot be overridden by the policyholder unilaterally. This concept is crucial in ensuring that irrevocable beneficiaries have a protected interest in the policy, thus preventing the policyholder from making changes that could affect the irrevocable beneficiary's rights without their agreement. The other statements regarding the changes of irrevocable beneficiaries do not align with this principle, as they suggest that changes could be made more freely, which is inconsistent with the established nature of irrevocability.

3. What is the role of an actuary in insurance?

- A. To manage customer service inquiries
- B. To analyze data for risk assessment**
- C. To provide claims support
- D. To sell insurance policies

The role of an actuary in insurance is primarily centered around analyzing data for risk assessment. Actuaries utilize mathematical and statistical methods to evaluate financial risks and uncertainties. They assess the likelihood of future events occurring and determine how to allocate resources accordingly. This involves analyzing various datasets, including historical data and trends, to come up with accurate predictions about how likely different risks are and the potential financial impact associated with them. By accurately assessing risks, actuaries help insurance companies set appropriate premium rates and ensure that they have sufficient reserves to pay out claims when necessary. Their expertise is crucial in helping insurers to remain financially stable and to make informed decisions on the types of coverage to offer and the pricing for those products. Understanding this critical function highlights the pivotal role actuaries play in maintaining the overall health of the insurance industry and protecting both the company and its policyholders from financial loss.

4. What role does a credit score play in financial borrowing?

- A. It determines the amount of cash available
- B. It determines the terms and interest rates of loans**
- C. It guarantees loan approval
- D. It assesses spending habits

A credit score is a crucial factor in financial borrowing as it reflects an individual's creditworthiness to potential lenders. While it does not determine the amount of cash available or guarantee loan approval, it plays a significant role in influencing the terms and interest rates of loans. Lenders use credit scores to evaluate the risk of lending money to a borrower. A higher credit score typically indicates a lower risk, which can lead to more favorable terms, such as lower interest rates and better repayment conditions. Conversely, a lower credit score may result in higher interest rates or less favorable terms, as lenders view this as a sign of higher risk. The credit score encapsulates various aspects of a borrower's financial behavior, such as payment history, amounts owed, length of credit history, new credit, and types of credit used. Each of these factors contributes to how lenders perceive borrowing risk and subsequently affects the loan offers they present to borrowers. In summary, the correct answer underscores the importance of the credit score in determining the terms and interest rates associated with loans, directly impacting the cost and affordability of borrowing.

5. What is the main purpose of insurance?

- A. To provide long-term financial stability
- B. To protect against financial losses**
- C. To generate investment income
- D. To facilitate loans

The main purpose of insurance is to protect against financial losses. This principle is fundamental to the concept of insurance, which operates on the idea of risk management. Insurance products are designed to offer a safety net to individuals and businesses, mitigating the financial impact of unexpected events such as accidents, illnesses, property damage, or liability claims. When an insured event occurs, the insurance company provides compensation, which helps to alleviate the financial burden that would otherwise be placed entirely on the insured party. While long-term financial stability, investment income, and facilitating loans are related financial concepts, they do not encapsulate the primary function of insurance. Financial stability can be enhanced through insurance but is not its main goal. Generating investment income is also not a direct purpose of insurance; instead, it may be a secondary benefit arising from specific types of insurance products like whole life insurance. Lastly, while some insurance products may help facilitate loans by providing assurances to lenders, this is not the fundamental reason for insurance's existence. Instead, the core mission remains focused on providing protection against unforeseen financial challenges.

6. What is a diversified portfolio?

- A. A collection of all recent investments
- B. A collection of various investments to reduce risk**
- C. A strategy to minimize tax liabilities
- D. A method of tracking market trends

A diversified portfolio refers to a collection of various investments designed specifically to reduce risk. The core principle behind diversification is that by spreading investments across different asset classes, sectors, or markets, the overall risk of the portfolio is mitigated. This means that if one investment performs poorly, others within the portfolio may perform well, helping to offset the losses. Investing in a variety of financial instruments, such as stocks, bonds, mutual funds, real estate, and even alternative assets, allows investors to guard against significant losses. This strategy leverages different behavior patterns of assets: some might thrive while others decline. Hence, the goal of a diversified portfolio is to balance out performance over time, which is essential for long-term financial health and stability. In contrast, the other options do not capture the essence of what constitutes a diversified portfolio. A collection of all recent investments does not imply any strategy for risk management. Minimizing tax liabilities is unrelated to the concept of diversification itself, even though tax strategies can be part of an overall investment plan. Tracking market trends may inform investment decisions but does not define the structure or intent of a diversified portfolio.

7. What is a primary characteristic of a term life insurance policy?

- A. It accumulates cash value over time**
- B. It provides coverage for a specific term or period**
- C. It is automatically renewable**
- D. It can pay dividends**

A term life insurance policy is defined by its provision of coverage for a specific term or period. This means it is designed to pay a death benefit only if the insured passes away during the stipulated term, which typically ranges from one to thirty years. At the end of the term, the coverage expires, and there is no payout unless the insured dies within that designated timeframe. The nature of term life insurance focuses solely on providing a death benefit during the agreed period. This differentiates it from whole life or universal life policies that build cash value over time. Additionally, while some term policies may offer options for renewal or conversion to permanent insurance, it is not an inherent characteristic of all term policies. Regarding dividends, term life insurance does not pay dividends as it is a pure insurance product without any investment components, unlike certain whole life policies that may share surplus profits with policyholders. Thus, the defining trait of a term life insurance policy is its finite duration of coverage.

8. Which policy component decreases in decreasing term insurance?

- A. Dividend**
- B. Premium**
- C. Face amount**
- D. Cash value**

In decreasing term insurance, the face amount of the policy is designed to decline over the duration of the policy term. This means that as time passes, the amount of coverage available to the policyholder decreases. Typically, this type of insurance is utilized for specific needs, such as paying off a mortgage, where the debt decreases over time, and thus the insurance coverage is structured to match that decreasing need. The other options do not accurately represent elements in decreasing term insurance. Dividends are not a feature of decreasing term policies, as such policies typically do not accumulate cash value or offer dividends. The premium generally remains fixed throughout the policy term and does not decrease. Cash value is not applicable here because decreasing term insurance is a pure insurance product without an investment component, meaning it does not accumulate cash value like whole life insurance does. Understanding decreasing term insurance in terms of its structured decline in face amount helps clarify its purpose and functionality as it relates to temporary financial responsibilities that diminish over time.

9. Which characteristic is unique to variable universal life insurance?

- A. Fixed premium**
- B. Flexible premium**
- C. Loan options**
- D. Conversion option**

Variable universal life insurance is distinguished by its flexible premium feature. This allows policyholders to adjust the amount and frequency of their premium payments, offering greater adaptability to their financial situations and changing needs. In contrast to traditional life insurance policies, which often require fixed premium payments, the flexibility in variable universal life insurance enables individuals to pay more or less based on their current circumstances, including cash flow and financial goals. This flexibility is particularly beneficial because it allows policyholders to manage their premiums in a way that aligns with their other financial obligations. In addition to premium flexibility, variable universal life insurance typically includes an investment component, where the cash value can be allocated to various investment options, thus offering potential growth based on market performance. This characteristic, paired with the flexible premium, enhances the overall appeal of variable universal life insurance for individuals looking to customize their coverage to fit their unique financial landscape.

10. What does "tax deferred" mean in financial terms?

- A. Earnings on an investment that are taxed annually**
- B. Investment income that is not taxed until withdrawn**
- C. Profits from trades that are taxed immediately**
- D. Funds that are exempt from all forms of taxation**

"Tax deferred" refers to investment income that is not taxed until it is withdrawn, typically at a later date. This means that any growth, interest, or dividends generated by the investment can accumulate without being subject to taxation in the interim. This feature is advantageous for investors as it allows their investment to grow more rapidly over time due to the compounding effect of the reinvested earnings that are not being diminished by annual taxes. In many retirement accounts, such as traditional IRAs or 401(k)s, contributions might be made with pre-tax income, allowing the investments to grow tax-free until the individual withdraws funds during retirement, when they might be in a lower tax bracket. This strategy can be beneficial for long-term wealth accumulation, enabling investors to take full advantage of their investment's potential growth without the immediate tax burden. This understanding distinguishes tax-deferred accounts from those where earnings are taxed each year, as well as from accounts that provide tax-free withdrawals, while also clarifying that tax-deferred means future taxation rather than exemption from all taxation.

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://primericageneral.examzify.com>

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