ACCREDITED FINANCIAL COUNSELOR (AFC) PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED 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.

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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!

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Questions

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1. Why is it crucial to maintain emergency savings?

A. To have funds available for planned vacations.

B. To provide a financial cushion during unexpected events.

C. To invest in high-risk stocks without concern.

D. To allow for impulsive large purchases.

2. How much does Eric pay in income and Social Security taxes?

A. $25,000

B. $29,233

C. $33,620

D. $40,000

3. Which method is recommended for tracking spending to enhance financial management?

A. Relying solely on memory for expenses.

B. Using a budgeting app or spreadsheet.

C. Only checking bank statements at the end of the month.

D. Estimating costs and spending in categories.

4. Who is responsible for converting a stated need into an appropriate goal statement?

A. The client

B. The counselor

C. The therapist

D. The family member

5. What is the first step in the process of financial planning?

A. Generating Solutions

B. Establish an action plan

C. Goal Setting

D. Monitor plan

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6. What is the main goal of financial education programs?

A. To prepare individuals for investment banking careers

B. To equip individuals to make informed financial decisions

C. To promote saving in retirement funds

D. To encourage high-risk investments

7. From which process does goal setting logically proceed?

A. Budgeting

B. Diagnosing needs

C. Strategic planning

D. Evaluating options

8. What is Eric's debt-to-income ratio based on his annual income and debt repayments?

A. 30 percent

B. 35 percent

C. 41 percent

D. 50 percent

9. What is a 401(k) plan?

A. A retirement savings plan sponsored by an employer that allows employees to save a portion of their paycheck before taxes

B. A type of health savings account for medical expenses

C. A personal savings account with tax incentives

D. A government bond for retirement funding

10. What type of resume should Megan prepare to emphasize her sales experience?

A. Chronological resume

B. Functional resume

C. Combination resume

D. Targeted resume

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Answers

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

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Explanations

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1. Why is it crucial to maintain emergency savings?

A. To have funds available for planned vacations.

B. To provide a financial cushion during unexpected events.

C. To invest in high-risk stocks without concern.

D. To allow for impulsive large purchases.

Maintaining emergency savings is essential because it provides a financial cushion during unexpected events. Life is unpredictable, and emergencies can arise at any time, such as job loss, medical expenses, car repairs, or other unforeseen circumstances. Having a dedicated fund for these emergencies helps individuals avoid falling into debt, relying on high-interest loans, or making panic-driven financial decisions. This financial prep boosts peace of mind and ensures that you can manage life's surprises without derailing your financial stability. By securing yourself with emergency savings, you are prioritizing long-term financial health and resilience.

2. How much does Eric pay in income and Social Security taxes?

A. $25,000

B. $29,233

C. $33,620

D. $40,000

When estimating Eric's taxes, focus on two parts and then add them together: federal income tax and Social Security tax. Federal income tax is determined by applying the progressive tax brackets to Eric's taxable income (gross wages minus deductions). Social Security tax is 6.2% of wages up to the Social Security wage base; any wages above that base aren't taxed for Social Security. In practice, you'd first subtract the standard deduction (or itemized deductions) from Eric's gross pay to get taxable income, then calculate the income tax using the brackets for the year. Separately, multiply Eric's gross wages by 6.2% to get Social Security tax, stopping at the wage base if his earnings exceed it. Add the two amounts to get the total taxes paid. If Eric earns around a mid-range six-figure salary and uses a standard deduction, the federal income tax portion and the Social Security portion combine to roughly 29,233. The exact figure depends on the year's tax brackets, filing status, and the wage base, but that combined total reflects the typical calculation of income tax plus Social Security tax. The other numbers would imply a different wage level or deduction scenario, which is why this total fits the given data.

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3. Which method is recommended for tracking spending to enhance financial management?

A. Relying solely on memory for expenses.

B. Using a budgeting app or spreadsheet.

C. Only checking bank statements at the end of the month.

D. Estimating costs and spending in categories.

Using a budgeting app or spreadsheet is recommended for tracking spending because it provides a structured and systematic approach to financial management. This method allows individuals to categorize their expenses accurately, set budgets for different areas, and monitor their spending in real-time. It enhances awareness of where money is going, which can lead to more informed financial decisions and better control over one's finances. Budgeting apps and spreadsheets often offer features like reminders, visual charts, and tracking capabilities that make it easier to stay on top of financial goals. This level of detailed tracking helps individuals recognize spending patterns that may need to be adjusted and empowers them to make proactive financial choices. In contrast, relying solely on memory for expenses is unreliable since it can lead to forgotten purchases or miscalculations, making it difficult to maintain an accurate view of one's financial situation. Checking bank statements only at the end of the month does not provide timely insights required for effective spending management and may allow overspending without immediate awareness. Similarly, estimating costs and spending in categories lacks precision, which can undermine the effectiveness of budgeting and may lead to unmet financial goals or surprise expenses.

4. Who is responsible for converting a stated need into an appropriate goal statement?

A. The client

B. The counselor

C. The therapist

D. The family member

The counselor plays a crucial role in assisting clients in formulating their needs into specific and measurable goals. This responsibility involves guiding the client through a reflective process, where they can articulate their aspirations and challenges clearly. The counselor's expertise enables them to understand the dynamics of financial situations and how to structure goals that are realistic and achievable. The counselor utilizes various strategies, such as motivational interviewing techniques and goal-setting frameworks, to facilitate this conversion. By doing so, they ensure that the goals align with the client's values and circumstances, making them more likely to be pursued and attained. The counselor's objective perspective can help clarify the client's desires and transform broad needs into actionable steps. While clients have the primary responsibility for their financial situations and are encouraged to take ownership of their goals, it is the counselor's guidance and professional insight that provide the structure needed to turn those needs into a coherent goal statement. This collaborative effort between the counselor and client is foundational in the financial counseling process.

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5. What is the first step in the process of financial planning?

A. Generating Solutions

B. Establish an action plan

C. Goal Setting

D. Monitor plan

The first step in the financial planning process is goal setting. This stage involves identifying and articulating the financial objectives that the individual or family wishes to achieve. Setting clear and specific goals is essential because it provides direction for the entire financial planning process. It allows the financial planner to tailor the planning and subsequent actions according to the priorities and aspirations of the individual. When clients articulate their goals, whether they are short-term, like saving for a vacation, or long-term, such as retirement savings, this clarity enables the creation of a personalized plan. Goal setting lays the groundwork for generating solutions, establishing an action plan, and monitoring progress, as it directly influences all subsequent steps in the financial planning journey. In contrast, generating solutions may take place after goals have been established, as planning strategies are often contextualized by these predetermined objectives. Similarly, establishing an action plan and monitoring the plan are later steps that rely on the specifics provided in the goal-setting phase to ensure that the actions taken align properly with the desired outcomes. Thus, goal setting forms the foundational step in effective financial planning.

6. What is the main goal of financial education programs?

A. To prepare individuals for investment banking careers

B. To equip individuals to make informed financial decisions

C. To promote saving in retirement funds

D. To encourage high-risk investments

The main goal of financial education programs is to equip individuals to make informed financial decisions. This encompasses a wide range of topics, such as budgeting, managing debt, understanding credit, and planning for future expenses, which helps individuals build confidence and skills in handling their personal finances. By fostering competency in these areas, financial education programs empower people to understand their financial options and the long-term implications of their choices. This leads to better financial outcomes, as individuals are more likely to engage in responsible spending, saving, and investing practices. While promoting saving in retirement funds is an important aspect of financial education and can be a specific focus within these programs, the overarching purpose is broader—it is about providing the knowledge and tools necessary for individuals to navigate their entire financial landscape effectively. Preparing individuals for careers in investment banking or encouraging high-risk investments are too specialized and potentially detrimental to be considered the primary goals of financial education for the general public.

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7. From which process does goal setting logically proceed?

A. Budgeting

B. Diagnosing needs

C. Strategic planning

D. Evaluating options

Goal setting logically follows from diagnosing needs because understanding the current situation and identifying specific areas that require improvement or attention is essential for establishing meaningful goals. Through the diagnosis of needs, an individual or organization can uncover what is necessary to achieve a desired outcome, providing a clear context for what goals should be set. When assessing needs, various aspects such as financial health, personal aspirations, or organizational objectives are examined, allowing for the identification of gaps between the current state and the desired state. This assessment directly informs the goal-setting process by enabling the creation of specific, measurable, attainable, relevant, and time-bound (SMART) goals that address these identified needs. In this context, while other processes like budgeting, strategic planning, and evaluating options are important components of financial management, they typically occur after needs have been thoroughly analyzed and goals have been established. Budgeting, for instance, would be based on the goals set to manage resources effectively, while strategic planning would involve outlining steps to achieve those goals. Evaluating options comes into play when considering how best to reach the established goals but is not the foundational step that leads to goal formulation.

8. What is Eric's debt-to-income ratio based on his annual income and debt repayments?

A. 30 percent

B. 35 percent

C. 41 percent

D. 50 percent

Debt-to-income shows how much of earnings go toward debt payments. To find it, take total debt payments for the period, divide by gross income for the same period, then express the result as a percentage. For Eric, the annual debt repayments divided by his annual gross income comes out to 0.41, or 41 percent. That means 41% of his income is used to cover debt obligations. This helps lenders judge how much additional debt he could take on without overextending himself. If the debt payments were smaller relative to income, the ratio would be lower; if they were larger, the ratio would be higher, such as 50% or more.

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9. What is a 401(k) plan?

A. A retirement savings plan sponsored by an employer that allows employees to save a portion of their paycheck before taxes

B. A type of health savings account for medical expenses

C. A personal savings account with tax incentives

D. A government bond for retirement funding

A 401(k) plan is indeed a retirement savings plan that is sponsored by an employer, allowing employees to contribute a portion of their paycheck before taxes are taken out. This type of plan is beneficial for employees as it not only helps them save for retirement but also reduces their current taxable income, which can lead to significant tax advantages. The funds in a 401(k) can grow tax-deferred until they are withdrawn, typically during retirement when individuals may be in a lower tax bracket. Additionally, many employers offer matching contributions, which can further enhance employees' retirement savings. The other options present different financial instruments or accounts that do not align with the primary definition of a 401(k). A health savings account focuses on medical expenses instead of retirement. A personal savings account with tax incentives lacks the specific employer-sponsored framework of a 401(k) plan. Lastly, a government bond for retirement funding does not represent a plan that allows for structured employee contributions like a 401(k) does. This distinction makes the first choice the clear and accurate representation of a 401(k) plan.

10. What type of resume should Megan prepare to emphasize her sales experience?

A. Chronological resume

B. Functional resume

C. Combination resume

D. Targeted resume

A functional resume is particularly effective for emphasizing specific skills and experiences rather than chronological work history. This format is ideal for someone like Megan who wants to highlight her sales experience prominently, especially if she has skills or achievements in sales that she wants to showcase without being overshadowed by other less relevant jobs or gaps in employment. In a functional resume, the focus is on the applicant's qualifications and achievements in relevant areas, allowing Megan to present her sales accomplishments in a more prominent way. For instance, she could list her sales skills, relevant projects, and key achievements under a dedicated section, making it easier for potential employers to see her strengths in sales right away. This contrasts with other resume formats. A chronological resume focuses primarily on the timeline of employment, which may not adequately highlight her sales skills if they are dispersed throughout various roles. A combination resume includes elements of both chronological and functional formats, which might dilute the emphasis on her sales expertise. A targeted resume is tailored to a specific job and could also be effective, but the functional format provides a clearer showcase of her sales capabilities across various experiences.

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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.

Or visit your dedicated course page for more study tools and resources:

https://accreditedfinancialcounselor.examzify.com

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

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