EVERFI FINANCIAL LITERACY PRACTICE TEST (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. Which factor is important to consider for obtaining a positive return on investment for higher education?

A. The total cost of attendance

B. The location of the university

C. The popularity of the degree

D. The duration of the program

2. Which bottle of lotion is the better deal based on price per unit?

A. The 10-ounce bottle is better

B. The 5-ounce bottle is better

C. Both are equally priced

D. Both should be avoided

3. Health insurance, paid time off, and retirement plans are all examples of what?

A. Job descriptions

B. Workplace benefits

C. Employee evaluations

D. Promotion criteria

4. What action can you take to make a smart purchase?

A. Buy the newest model

B. Wait for a sale

C. Research products thoroughly

D. Purchase the cheapest item available

5. Which of the following is a potential risk involved in investing?

A. Market risk

B. Fixed rate risk

C. Liquidity guarantee

D. Investor insurance risk

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6. What benefit does homeowner's insurance provide in the event of damage such as from a hurricane?

A. It provides compensation for medical expenses.

B. It helps cover the costs of home repairs.

C. It offers money for personal belongings.

D. It gives cash for living expenses during repairs.

7. What is the purpose of a 529 plan?

A. To invest in the stock market

B. To save for future education expenses with tax benefits

C. To finance a business venture

D. To save for retirement

8. What is a recommended method to build an emergency fund?

A. Invest in high-return stocks

B. Set aside a specific amount regularly

C. Spend any saved money immediately

D. Take out a loan for emergencies

9. Which of the following is an example of a need?

A. Dining out

B. New smartphone

C. Rent

D. Luxury vacation

10. What is a primary benefit of using a financial advisor?

A. They guarantee high returns on investments

B. They provide professional advice tailored to your financial situation

C. They manage your taxes

D. They ensure you never lose money

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Answers

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

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Explanations

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1. Which factor is important to consider for obtaining a positive return on investment for higher education?

A. The total cost of attendance

B. The location of the university

C. The popularity of the degree

D. The duration of the program

When assessing return on investment (ROI) for higher education, the total cost of attendance is a critical factor to consider. The total cost encompasses not just tuition fees but also expenses related to housing, books, supplies, and any additional fees associated with enrollment. Evaluating this total cost allows students to understand the financial burden they will incur and how it compares to the expected financial benefits from future earnings post-graduation. A lower total cost of attendance can enhance the ROI if the graduate's anticipated salary is significantly higher than the debt incurred. Conversely, a high cost can lead to greater student debt, which could negate the financial benefits of obtaining a degree even with a strong earning potential after graduation. While other factors like the university's location, the popularity of a degree, and the duration of the program can also influence perceptions of value and potential earnings, they do not directly impact the financial calculations necessary for assessing the return on investment in the same way that the total cost of attendance does.

2. Which bottle of lotion is the better deal based on price per unit?

A. The 10-ounce bottle is better

B. The 5-ounce bottle is better

C. Both are equally priced

D. Both should be avoided

To determine which bottle of lotion offers the better deal based on price per unit, we need to consider the price per ounce for each bottle. The price per unit is calculated by dividing the total price of the lotion by the total ounces it contains. If the 10-ounce bottle has a lower price per ounce compared to the 5-ounce bottle, it would indicate that you're getting more product for your money in the larger bottle. Larger packages often provide better value due to bulk pricing, which is reflected in a reduced price per ounce. Therefore, if the calculation confirms that the 10-ounce bottle is cheaper per ounce than the 5-ounce one, then it is indeed the better deal. It allows consumers to maximize their purchase by offering more lotion for each dollar spent, making it the more cost-effective choice.

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3. Health insurance, paid time off, and retirement plans are all examples of what?

A. Job descriptions

B. Workplace benefits

C. Employee evaluations

D. Promotion criteria

The correct answer is workplace benefits. These benefits represent non-wage compensations provided to employees, enhancing their overall employment experience. Health insurance is essential for covering medical expenses, paid time off allows employees to take necessary breaks without losing income, and retirement plans help individuals save for their future. Together, these benefits play a significant role in attracting and retaining talent within a company, as they contribute to employee satisfaction and well-being. In contrast, job descriptions refer to the roles and responsibilities associated with a specific position, employee evaluations assess an individual's performance and contributions to the company, and promotion criteria focus on the qualifications necessary for advancement within an organization. Thus, while they are all important aspects of employment, they do not fall under the category of benefits that directly enhance an employee's compensation package.

4. What action can you take to make a smart purchase?

A. Buy the newest model

B. Wait for a sale

C. Research products thoroughly

D. Purchase the cheapest item available

Choosing to research products thoroughly is a fundamental strategy for making a smart purchase. This approach allows you to gather information about various products, comparing features, benefits, and prices. By understanding the specifications and functionality of what you're considering, you can better evaluate whether a product meets your needs and is worth the price. Additionally, comprehensive research often includes looking into customer reviews and ratings, which can provide insights about the product's reliability and performance over time. This informed decision-making process can lead to greater satisfaction with your purchase, and potentially saving money in the long run by avoiding low-quality items or services that may require replacement or additional costs. The other options, while they may seem appealing, do not guarantee the same level of thoughtful consideration and may not lead to a well-informed purchase.

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5. Which of the following is a potential risk involved in investing?

A. Market risk

B. Fixed rate risk

C. Liquidity guarantee

D. Investor insurance risk

Market risk refers to the potential for loss due to fluctuations in the market prices of securities. It is a fundamental concept in investing because it encompasses a range of factors, including changes in economic conditions, interest rates, and investor sentiment that can affect the value of investments. When you invest in stocks, bonds, or other assets, the performance of those investments can be impacted by broader market trends, leading to potential gains or losses. This risk is inherent to nearly all types of investments; therefore, understanding it is crucial for any investor. Recognizing that market risk exists helps investors make informed decisions, create diversified portfolios, and develop strategies to mitigate that risk. In contrast, the other options do not accurately represent typical investment risks. Fixed rate risk, while relevant in certain contexts like bonds, does not cover the broader spectrum of exposure to market fluctuations. Liquidity guarantee is not a recognized risk but rather a feature some investments may offer. Investor insurance risk does not typically apply in the context of investing risks as outlined here, as it's more related to financial products like insurance rather than the investment mechanism itself.

6. What benefit does homeowner's insurance provide in the event of damage such as from a hurricane?

A. It provides compensation for medical expenses.

B. It helps cover the costs of home repairs.

C. It offers money for personal belongings.

D. It gives cash for living expenses during repairs.

Homeowner's insurance is designed to provide financial protection against a variety of risks associated with homeownership, including damages caused by natural disasters like hurricanes. When a hurricane causes damage to a home, homeowner's insurance helps cover the costs of repairs needed to restore the property to its pre-damaged state. This coverage typically includes the structural components of the home, such as the roof, walls, and foundation, allowing homeowners to recover financially from the expenses of repair work. While other options might seem relevant in certain contexts, they do not address the primary benefit of homeowner's insurance in relation to physical damage caused specifically by an event like a hurricane. For instance, compensation for medical expenses pertains to injuries rather than property damage, while coverage for personal belongings focuses on items within the home rather than structural repairs. Cash for living expenses during repairs might be a part of some policies, but the central benefit of homeowner's insurance regarding the immediate impact of hurricane damage is its ability to cover home repair costs, making it essential for homeowners facing such disasters.

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7. What is the purpose of a 529 plan?

A. To invest in the stock market

B. To save for future education expenses with tax benefits

C. To finance a business venture

D. To save for retirement

A 529 plan is specifically designed to help families save for future education expenses while providing tax advantages. Contributions made to a 529 plan grow tax-deferred, and withdrawals used for qualified education expenses are tax-free. This means that the money invested in the plan can be used for tuition, fees, books, and certain other educational costs without incurring federal tax, thereby maximizing the savings for educational purposes. The tax benefits associated with 529 plans make them an attractive choice for parents or guardians looking to prepare financially for their children's college education. In addition, many states offer tax deductions or credits for contributions to a 529 plan, further incentivizing saving for education. While the other options may describe financial tools or goals, they do not accurately reflect the unique purpose of a 529 plan, which exclusively focuses on educational savings.

8. What is a recommended method to build an emergency fund?

A. Invest in high-return stocks

B. Set aside a specific amount regularly

C. Spend any saved money immediately

D. Take out a loan for emergencies

Building an emergency fund is essential for financial stability, and one of the most effective methods to achieve this is by setting aside a specific amount regularly. This approach promotes consistency and discipline in saving, which is crucial for accumulating sufficient funds to cover unforeseen expenses, such as medical bills or car repairs. By committing to a regular savings schedule, whether it's weekly or monthly, individuals can gradually increase their emergency fund. This can be tailored to fit one's budget and financial situation, making it a personalized strategy that encourages saving without relying on immediate needs or spending habits. Over time, these regular contributions can add up, providing a safety net that can help navigate financial emergencies effectively. Other methods, while they may seem appealing, do not contribute effectively to building an emergency fund. For instance, investing in high-return stocks can be risky and does not guarantee liquidity when emergencies arise. Spending saved money immediately negates the purpose of building an emergency fund, and taking out a loan for emergencies can lead to additional financial burdens. Thus, setting aside a specific amount regularly is a straightforward and practical way to achieve financial resilience.

9. Which of the following is an example of a need?

A. Dining out

B. New smartphone

C. Rent

D. Luxury vacation

A need is something essential for basic survival and functioning in daily life. Rent qualifies as a need because it provides shelter, which is one of the fundamental requirements for survival. Without a place to live, basic health and well-being are compromised. In contrast, the other options represent desires or wants. Dining out, for example, is a luxury that enhances the eating experience but is not essential for survival. A new smartphone may offer convenience or status but is not necessary for fundamental living. Similarly, a luxury vacation is a discretionary expense that provides enjoyment but is not required for basic needs. Understanding the distinction between needs and wants is crucial for managing finances effectively.

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10. What is a primary benefit of using a financial advisor?

A. They guarantee high returns on investments

B. They provide professional advice tailored to your financial situation

C. They manage your taxes

D. They ensure you never lose money

A primary benefit of using a financial advisor is that they provide professional advice tailored to your financial situation. This personalized guidance is crucial because every individual or family's financial circumstances are unique. A financial advisor takes into account various factors such as income, expenses, financial goals, risk tolerance, and life events to help create a customized financial plan. This tailored approach can aid in investments, retirement planning, budget management, and debt reduction, ultimately guiding clients toward achieving their financial objectives in a way that is aligned with their specific needs and circumstances. In contrast, guarantees of high returns or assurances against losing money can be misleading in the financial market, as all investments carry inherent risks. Additionally, while advisors often assist with tax strategies, their primary value lies in the overall financial planning they provide, rather than managing taxes solely.

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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:

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

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