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PRACTICE QUESTIONS

Association for Financial Counselling and Planning Education

X65XZZSM

Accredited Financial Counselor (AFC) Examination (AFCPE-AMP)

EDITION	QUESTIONS	FORMAT
Demo	9	Limited Edition PDF

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Before you begin

What this is

9 practice questions for Association for Financial Counselling and Planning Education `X65XZZSM`, each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

If something looks wrong

Send us three things and we will check it:

- the exam code, `X65XZZSM`
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

QUESTION 1 MULTIPLE CHOICE

A client of an Accredited Financial Counselor asks whether the counselor can purchase a small equity stake in a local business the client owns. Which of the following actions by the counselor are consistent with the AFC code of ethics? (Choose two.)

- **A** **Disclose the potential conflict of interest to the client in writing and obtain informed consent before accepting the stake**
- B Accept the equity stake without disclosure because the counselor is not a fiduciary investment advisor
- **C** **Decline the offer because the ownership interest could compromise objectivity and the appearance of impartiality**
- D Accept the equity stake but trade the client's securities portfolio more frequently to offset any bias
- E Document the relationship in the client file only after the counselor has held the security for one year

ANSWER **A · C**

WHY The AFC code of ethics requires counselors to avoid actual or perceived conflicts of interest and to disclose any material conflict in writing so the client can give informed consent (option A). When an arrangement could reasonably impair the counselor's objectivity or create the appearance of a conflict, the appropriate course is to decline (option C). Accepting the stake without disclosure (B), trading more to offset bias (D), and delaying documentation (E) all violate the integrity and objectivity expectations of the code.

QUESTION 2 MULTIPLE CHOICE

During a debt counseling session, a client states, 'I know I should stop using my credit cards, but every time I try I feel like I'm failing.' Which counselor responses best reflect motivational interviewing? (Choose two.)

A 'You should cut up all your credit cards today so you cannot be tempted.'

B **'It sounds like you really want to change, and the fact that you keep trying shows a lot of commitment. What has worked even a little in the past?'**

C 'Most people in your situation simply lack the discipline to control their spending.'

D **'Tell me more about what 'failing' looks like for you and what a small, realistic first step might be.'**

E 'Let me give you a strict budget that eliminates all discretionary spending until the debt is paid off.'

ANSWER **B · D**

WHY Motivational interviewing is collaborative, evocative, and supports the client's self-efficacy. Option B affirms the client's effort, elicits change talk, and invites reflection on prior successes — all consistent with MI. Option D uses open-ended questions and reflective listening to explore ambivalence and co-develop a plan. Options A and E are directive and prescriptive, while C is confrontational and judgmental — all contrary to MI spirit.

QUESTION 3 SINGLE CHOICE

A couple's monthly take-home pay is $6,200. Their fixed expenses (housing, utilities, insurance, loan payments) total $4,150, and their variable expenses average $1,550. They currently save $300 per month. Based on these figures, what is their savings rate as a percentage of net (take-home) income?

- **A** 4.8%
- **B** 6.5%
- **C** 8.1%
- **D** 16.1%

ANSWER **A**

WHY Savings rate is typically calculated as savings divided by net (take-home) income: $300 / $6,200 = 0.0484, or about 4.8%. The breakdown of expenses ($4,150 + $1,550 + $300 = $6,000 of outflow plus $200 unaccounted) does not change the standard savings-rate calculation, which uses actual savings over net income.

QUESTION 4 SINGLE CHOICE

A client receives an unsolicited phone call from someone claiming to be from her bank's fraud department. The caller asks her to read back a one-time code that was just texted to her phone in order to 'verify' her account. Which of the following best describes this scenario?

- **A** A legitimate bank verification procedure that the client should follow
- **B** **A phishing attempt that uses the one-time code to defeat multi-factor authentication**
- **C** A credit-repair offer that is permitted under the Fair Credit Reporting Act
- **D** A routine security call that the client may complete at her convenience

ANSWER **B**

WHY Legitimate banks do not call customers and ask them to read back authentication codes. This is a classic phishing/vishing tactic: the fraudster has already obtained the client's password (often via a fake login page) and is now trying to capture the one-time MFA code to take over the account. Clients should hang up and call the bank using a number from the bank's official website or the back of their card.

QUESTION 5 SINGLE CHOICE

An Accredited Financial Counselor is meeting with a client who wants to understand the difference between an emergency fund and a sinking fund. Which of the following best describes the counselor's role in this interaction?

A Giving personalized investment recommendations tailored to the client's risk tolerance

B **Providing general financial education so the client can make an informed decision**

C Managing the client's portfolio on a discretionary basis

D Acting as the client's fiduciary under a written advisory agreement

ANSWER **B**

WHY Explaining the conceptual difference between an emergency fund (used for unplanned events) and a sinking fund (used to save for known, predictable future expenses) is a general educational activity. It is not personalized investment advice (A), discretionary management (C), or a fiduciary advisory relationship (D). Financial counseling focuses on education, motivation, and behavior change rather than on selling investment products.

QUESTION 6 SINGLE CHOICE

Which of the following factors generally has the largest weighting in a FICO credit score?

A Length of credit history

B **Payment history**

C Types of credit in use

D Recent credit inquiries

ANSWER **B**

WHY According to FICO's published scoring model, payment history is the most heavily weighted factor (roughly 35%), followed by amounts owed (about 30%), length of credit history (about 15%), new credit (about 10%), and credit mix (about 10%). Counselors should help clients understand that consistently paying on time is the single most important action they can take to improve or protect their score.

QUESTION 7 SINGLE CHOICE

Under the Fair Credit Reporting Act (FCRA), a consumer is entitled to which of the following rights?

A The right to have any negative information removed from the credit report after one year

B The right to receive a free credit report from each of the three nationwide consumer reporting agencies once every 12 months

C The right to a guaranteed increase in their credit score after paying off a collection account

D The right to require all creditors to report only to a single credit bureau

ANSWER **B**

WHY The FCRA, as amended by the Fair and Accurate Credit Transactions Act (FACT Act), entitles every U.S. consumer to one free credit report every 12 months from each of the three nationwide CRAs (Equifax, Experian, and TransUnion) through AnnualCreditReport.com. Negative accurate information generally remains on a report for seven years (not one), and there is no entitlement to a guaranteed score increase. Creditors are not required to report to only one bureau.

QUESTION 8 SINGLE CHOICE

A client has three credit cards with the following balances and APRs: Card A — $2,000 at 24%, Card B — $5,000 at 18%, and Card C — $8,000 at 12%. The client can apply a fixed monthly amount toward repayment above the minimum payments. Using the debt avalanche method, which card should the client target first?

A Card A because it carries the highest APR

B Card B because it has the highest balance

C Card C because it has the largest balance and therefore the most interest accruing

D The card with the lowest balance, regardless of interest rate, to build momentum

ANSWER **A**

WHY The debt avalanche method directs any extra payment to the debt with the highest interest rate first, which mathematically minimizes total interest paid over the life of the repayment plan. In this scenario, Card A at 24% has the highest APR, so it would be prioritized. (Option D describes the debt snowball method, which targets the smallest balance first for psychological wins.)

QUESTION 9 SINGLE CHOICE

A client contributes 6% of her salary to her employer's traditional 401(k) plan, and the employer provides a 50-cent match on every dollar contributed up to 6%. Which of the following statements about this arrangement is most accurate?

- **A** **The client is under-contributing because she is missing the full employer match**
- B The client's contributions are made with after-tax dollars and are tax-free at withdrawal
- C The employer's matching contributions are immediately and fully vested for federal income tax purposes
- D The client must begin taking required minimum distributions from the 401(k) by age 70½ regardless of whether she is still employed

ANSWER **A**

WHY Because the employer matches 50 cents per dollar up to 6%, the client captures the full match only when she contributes at least 6% of pay. At 6% she receives the maximum 3% employer contribution, so she is not under-contributing relative to the match (A is incorrect because it asserts she is missing the match). Traditional 401(k) contributions are pre-tax, not after-tax (B is wrong). Vested vs. unvested employer contributions depend on the plan's vesting schedule, not on tax treatment (C is wrong). Under current rules, RMDs from a 401(k) generally must begin by April 1 of the year after the client reaches age 73 (the age has been raised by SECURE 2.0), and the 'still-working' exception may further delay RMDs from the current employer's plan (D is wrong as written).