

AFC Practice Test Questions and Answers

1. What is asset allocation?

- A) Investing in a single asset class
- B) Spreading investments across different asset classes
- C) Concentrating investments in high-risk assets
- D) Investing in only bonds

2. What is an emergency fund?

- A) A fund used for retirement
- B) A savings buffer for unexpected expenses
- C) A fund for luxury purchases
- D) A debt repayment fund

3. What is a target-date fund?

- A) A fund for high-risk investors
- B) A fund with no changes over time
- C) A fund that adjusts risk based on retirement date
- D) A fund invested in real estate

4. Home equity is calculated as:

- A) The original purchase price minus the remaining mortgage balance
- B) The current market value of the home minus the outstanding mortgage balance
- C) The total payments made on the mortgage to date
- D) The appraised value minus the original down payment

Answers: 1-B 2-B 3-C 4-B

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