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NEW QUESTION: 1

What financial information would Deandra a financial planner, analyze in order to increase her client's net worth by decreasing expenses?

- A. Current cash flow statement
- B. Net worth statement
- C. Budget
- D. Expense report

Answer: C (LEAVE A REPLY)

A budget is the appropriate tool when the objective is to increase net worth by reducing expenses. The net worth statement shows assets minus liabilities at a point in time; it identifies the result but not the spending pattern that caused it. A current cash-flow statement records actual inflows and outflows, but the budget is the forward-looking control document used to set limits, redirect discretionary spending, and create planned savings. An expense report may list costs, but it does not necessarily connect those costs to income, goals, debt repayment, or savings targets. Deandra should analyze the client's budget to identify spending categories that can be reduced or eliminated and to quantify the effect on monthly surplus. In AFP planning, net worth improves when cash-flow surplus is consistently applied to debt reduction, saving, or investment. Study Guide focus: budgeting, net worth improvement, expense management, cash-flow planning, and implementation monitoring. The budget also creates the monitoring benchmark for whether the client actually changes spending behaviour after the meeting.

NEW QUESTION: 2

Francois and Brigitte are meeting with their financial planner, Robin. They would like to ensure that if one of them were to die suddenly that their mortgage would be paid in full. Their current mortgage has an outstanding balance of \$400,000 with 10 years remaining. The couple are in good health and have a well- balanced financial plan that focuses on

debt reduction and savings. Which type of insurance policy should Robin recommend to assist the couple in meeting their objective?

- A. Joint 10-year term first-to-die policy.
- B. Joint whole life last-to-die policy.
- C. Joint 10-year term last-to-die policy.
- D. Joint whole life first-to-die policy.

Answer: A (LEAVE A REPLY)

A joint 10-year term first-to-die policy matches the couple's exact risk. Francois and Brigitte want the mortgage paid if one spouse dies suddenly, and the mortgage has 10 years remaining. First-to-die coverage pays on the first death, which is when the survivor would need funds to discharge the mortgage. A 10-year term aligns the coverage period with the debt. Last-to-die coverage is inappropriate because it pays only after both insured persons have died, too late to protect the survivor's mortgage obligation. Whole life coverage is permanent and more expensive than necessary for a temporary mortgage balance. Since the couple is healthy and already has a balanced plan, the planner should recommend efficient, purpose-built term insurance rather than over-insuring with a permanent policy. Study Guide focus: mortgage insurance needs, first-to-die coverage, term insurance, debt protection, and risk matching. The death benefit should be sized to the outstanding debt and reviewed as the mortgage is repaid.

NEW QUESTION: 3

Demario, age 29, has started his own professional practice. He is single, has a mortgage, and his future earning power is his largest asset. Which insurance should receive priority?

- A. Disability insurance.
- B. Joint last-to-die life insurance.
- C. Travel medical insurance only.
- D. Whole life insurance for estate equalization.

Answer: A (LEAVE A REPLY)

For a young self-employed professional, the dominant exposure is interruption of earned income. Disability insurance protects human capital by replacing income if illness or injury prevents the client from working.

Because Demario is self-employed, he may not have employer long-term disability benefits, paid sick leave, or group coverage. Option B is irrelevant because joint last-to-die coverage is built for two lives and estate liquidity after the second death. Option C is narrow and does not protect ongoing income. Option D may be useful in some estate plans, but estate equalization is not the priority for a single client whose key asset is earning ability. The planner should review own-occupation wording, elimination period, benefit period, inflation indexing, residual disability benefits, integration with emergency savings, and business overhead coverage if practice expenses must continue. The correct planning lens is income protection before estate accumulation. References/topics: disability insurance, human capital, self-employed clients, income replacement.

NEW QUESTION: 4

Derek recently inherited \$900,000. He asks his financial planner to invest the entire amount in a concentrated portfolio of junior mining stocks. Derek has never invested before, has two young children, and is still deciding whether to purchase a home. What should the planner do first?

- A. Place the trades because Derek has given clear instructions.
- B. Review Derek's objectives, risk tolerance, risk capacity, time horizon, and liquidity needs.
- C. Refuse to work with Derek because he suggested a speculative portfolio.
- D. Invest half immediately and hold half in cash without further discussion.

Answer: ([SHOW ANSWER](#))

The professional issue is suitability under incomplete discovery. A large inheritance, limited investment experience, dependent children, and a possible home purchase all point to the need for a structured review before implementation. The planner must distinguish willingness to speculate from financial capacity to absorb loss. Derek may express high risk appetite, but his liquidity needs and decision uncertainty could make a concentrated junior mining strategy unsuitable. Option A fails because client instructions do not remove the duty to assess suitability and provide appropriate warnings. Option C is premature; the planner can continue if the advice process remains professional and documented. Option D is arbitrary because it imposes a solution before clarifying goals and constraints. The official planning approach is to pause product selection, update KYC, identify short-, medium-, and long-term objectives, quantify emergency reserves and housing needs, and only then design an allocation. References/topics: KYC, suitability, risk capacity, investment planning process.

NEW QUESTION: 5

William and Jennifer are selling their business which qualifies as a Canadian-controlled private corporation.

When the sale is complete at the end of this year, William and Jennifer will each receive \$4 million for their common shares which have nominal cost. Jennifer has unused capital losses from previous years. They are meeting with Laurel, their financial planner, to discuss the tax implications of the sale. Based on the information provided, what should Laurel recommend to William and Jennifer so that they are best able to make use of the Lifetime Capital Gains Exemption?

- A. They should each claim 50% of the exemption.
- B. They should each claim 100% of the exemption.
- C. Only Jennifer should claim 100% of the exemption.
- D. Only William should claim 100% of the exemption.

Answer: ([SHOW ANSWER](#))

William should claim the Lifetime Capital Gains Exemption, while Jennifer should first use her unused capital losses. The planning issue is not whether both shareholders own qualifying Canadian-controlled private corporation shares; they do. The deciding fact is Jennifer's unused capital losses. In the personal tax calculation, capital losses are applied against taxable capital gains before the capital gains deduction is used.

If Jennifer has available losses, claiming the LCGE may waste exemption room or fail to deliver the intended tax result because the losses already shelter some or all of her taxable capital gain. William has no stated capital-loss pool, so his large gain is the clean use of the exemption. Options that split the exemption or have Jennifer claim it ignore the ordering rules and the clue in the facts. The planner should coordinate the transaction with tax counsel and confirm QSBC eligibility, CNIL effects, and each spouse's remaining exemption room. Study Guide focus: qualified small business corporation shares, capital gains deduction, net capital losses, and LCGE planning.

NEW QUESTION: 6

Edward is risk averse and has limited investment knowledge. He will only purchase 100% guaranteed products insured by the CDIC. Edward is meeting with his financial planner, Marissa, for the third time this year about rates, and starts the meeting by criticizing her employer for paying such low returns on GICs.

Edward says he is considering taking his business elsewhere. How should Marissa respond to Edward's comments?

- A.** Show understanding of his frustration, assure him that these are the best rates she can offer and suggest a follow up meeting once Edward has had a chance to shop around.
- B.** Offer to match any competitor rate Edward can provide in writing.
- C.** Explain that if he can increase his risk tolerance, she can get a better rate of return for him.
- D.** Let him know that her GIC rate is the highest in the market.

Answer: A (LEAVE A REPLY)

Marissa should respond with empathy and accuracy. Edward is risk averse, has limited investment knowledge, and will only purchase CDIC-insured guaranteed products. The correct response is to acknowledge his frustration, explain that the displayed rates are the best she can offer, and allow him to compare alternatives without pressure. Matching competitor rates may be outside her authority and could misrepresent the firm's pricing. Telling him to increase risk tolerance to obtain a better return ignores his stated constraints and may lead to unsuitable advice. Claiming her rate is the highest in the market would be inappropriate unless she can substantiate it, and even then the statement may become stale quickly. In AFP client management, the planner preserves trust by respecting the client's risk profile, communicating honestly, and avoiding product pressure. Study Guide focus: client communication, risk tolerance, guaranteed products, suitability, and relationship management. This response protects suitability because Edward's product universe is defined by capital guarantee and deposit insurance.

NEW QUESTION: 7

Huxley is meeting with his financial planner to review his retirement goals. He has saved \$250,000 in an RRSP, currently contributes \$10,000 per year, and his portfolio is expected to continue to earn an average of 5% per year. Huxley is hoping to retire in 18 years with \$1 million saved in his RRSP. What strategy should Huxley's financial planner recommend to ensure he is on track?

- A. Increase the retirement goal value to \$1,250,000.
- B. Increase his target retirement date to 25 years.
- C. Increase the risk profile of the portfolio for a target return of 12%.
- D. Increase monthly contributions by \$350.

Answer: D (LEAVE A REPLY)

Huxley is not on track under the existing assumptions. His \$250,000 RRSP growing at 5% for 18 years, plus \$10,000 annual contributions at the same return, accumulates to approximately \$883,000, not \$1,000,000. The shortfall is about \$117,000 at the target date. Increasing monthly contributions by \$350 produces additional future value that is sufficient to close the gap without relying on a much higher risk profile or delaying retirement. Raising the goal to \$1,250,000 makes the gap worse. Extending retirement to 25 years may solve the math but changes the client's stated retirement objective. Targeting 12% return is aggressive and may be unsuitable; a planner should not fix a savings gap by assuming unrealistic risk. The most controlled recommendation is higher contributions. Study Guide focus: RRSP accumulation, future value, savings shortfall, contribution planning, and retirement goal feasibility. This keeps the recommendation inside controllable client behaviour rather than relying on market returns outside the planner's control.

NEW QUESTION: 8

If a deceased person was entitled to rights or things at death, what strategy should the estate representative use to enhance the net estate value after tax?

- A. Transfer ownership of the rights or things to the beneficiaries of the estate.
- B. Include the rights or things in a second personal tax return for the deceased.
- C. Include the rights or things in the deceased's final personal tax return.
- D. File for annual tax reassessments on the terminal tax return until all rights or things are paid.

Answer: B (LEAVE A REPLY)

Rights or things are amounts the deceased was entitled to receive at death but had not yet received, such as unpaid employment income, declared dividends, or certain other receivables. The estate representative can often file a separate optional return for rights or things. This can enhance the net estate value because graduated tax rates and separate credits may reduce the total tax compared with including everything on the terminal return. Transferring ownership directly to beneficiaries does not address the tax-reporting

opportunity. Including the amounts only on the final return may be administratively simpler but may produce more tax. Filing annual reassessments until payment is received is not the planning strategy. The AFP point is that optional returns can be used after death to minimize tax where the deceased had qualifying income categories. The executor should coordinate with a tax professional to identify eligible rights or things and filing deadlines. Study Guide focus: terminal returns, optional returns, rights or things, estate taxation, and post-mortem tax planning.

NEW QUESTION: 9

Tony, a financial planner, is meeting with his client, Howard, age 42. Howard would like to retire in 15 years.

His retirement goal is to have an annual gross income of \$30,000 (in today's dollars). He is currently contributing \$2,400 each year to his RRSP which is currently worth \$275,000. Assume an average annual inflation rate of 3%, rate of return of 4% for the registered assets and a life expectancy to age 90. What will Tony determine as Howard's current surplus/shortfall at retirement?

- A. Surplus of \$20,671.
- B. Shortfall of \$20,671.
- C. Shortfall of \$16,801.
- D. Surplus of \$16,801.

Answer: (SHOW ANSWER)

Howard has a retirement shortfall of approximately \$16,801. The calculation requires inflating the \$30,000 annual income goal for 15 years at 3%, projecting the current RRSP and annual \$2,400 contributions at 4%, and then comparing the accumulated capital with the amount needed to fund income from retirement to age 90. The figures show that his current capital and planned contributions do not quite support the inflation-adjusted income target over the expected retirement period. Option A and option D incorrectly show a surplus. Option B uses the wrong shortfall amount. This question tests retirement projection mechanics: nominal retirement income must reflect inflation, and registered asset growth must be projected using the assumed rate of return. The planner should discuss increasing savings, adjusting retirement age, reducing income objectives, or revising investment assumptions within risk tolerance. Study Guide focus: retirement needs analysis, inflation, future value, capital sufficiency, and surplus/shortfall calculation.

NEW QUESTION: 10

Bill was recently declined for a loan application at his financial institution, and he is concerned that a liability has been added to his credit bureau that does not belong to him. He asks his financial planner to review his credit bureau with him to help him identify why he may have been declined. Which area of the credit bureau might his financial planner advise Bill to review?

- A. Number of previous declines.
- B. Inquiries.
- C. Account history.
- D. Public record information.

Answer: C (LEAVE A REPLY)

Bill should review the account history section of the credit bureau. If a liability has been added that does not belong to him, it would normally appear as an account entry showing creditor name, account type, balance, payment status, opening date, and ownership or responsibility. Inquiries show who accessed the credit file, not whether an incorrect liability exists. Public record information may show bankruptcies, judgments, liens, or collections, but the question specifically asks about a liability added to the bureau. The number of previous declines is not the relevant bureau section for identifying a disputed account. The planner should advise Bill to obtain the full credit report, identify unfamiliar accounts, contact the credit bureau and creditor, and dispute inaccurate information in writing. Accurate credit reporting is critical before another loan application. Study Guide focus: credit bureau review, account history, credit disputes, borrowing capacity, and liability management. A documented dispute process is important because unresolved bureau errors can affect pricing, approval, and future borrowing capacity.

NEW QUESTION: 11

Owen and Lina are looking to purchase a home in the next few months. Owen is the primary income earner for the family. His credit history is weak with several recently paid collections. Lina has a perfect credit record but limited income and irregular employment. What will their financial planner advise them about the impact their credit ratings will have on their ability to secure a mortgage?

- A. The primary income earner must have a minimum credit score to qualify
- B. Since Owen's collections are paid, they would be able to qualify
- C. Lina's strong credit rating will make up for Owen's credit history
- D. Lina's low income will prevent them from qualifying

Answer: A (LEAVE A REPLY)

The weak credit history of the primary income earner is the central mortgage issue. Lenders assess income, debt service ratios, down payment, property, and creditworthiness. Owen supplies the main income needed to qualify, but his recent collections create underwriting risk even if they have been paid. Lina's strong credit record helps the household profile, but it does not fully offset limited income and irregular employment. Paid collections may improve the application compared with unpaid collections, yet they do not automatically qualify the borrowers. Lina's low income alone may not prevent approval if Owen qualifies, but his credit weakness may. The planner should advise them to review the credit bureau, correct errors, reduce revolving debt, avoid new inquiries, and allow time for stronger repayment history before applying. Study Guide focus:

mortgage qualification, credit history, debt service capacity, borrower risk, and liability management. The advice should be delivered before a formal application so avoidable bureau damage and failed underwriting can be reduced.

NEW QUESTION: 12

Lois is reviewing her client Raj's retirement plan. To stay on track, Raj's TFSA (with a current balance of \$10,000) will need to be worth \$42,000 in five years. Raj is able to contribute his annual bonus of \$5,000 at the end of each year. For Raj to stay on plan, what rate of return does Lois need to be targeting?

- A. 5.71%.
- B. 5.64%.
- C. 6.36%.
- D. 7.67%.

Answer: (SHOW ANSWER)

Lois must solve for the annual rate of return that grows Raj's TFSA from \$10,000 today to \$42,000 in five years while adding \$5,000 at each year-end. The future value equation includes both the compounded current balance and the future value of the annual contributions. Solving $\$10,000(1+r)^5 + \$5,000\left[\frac{(1+r)^5 - 1}{r}\right] = \$42,000$ produces an annual return of approximately 6.36%. Option B and option A are close but do not reach the required target when the timing of contributions is treated as year-end. Option D overstates the required return. Because the account is a TFSA, the calculation focuses on investment growth rather than tax on withdrawals. In AFP retirement planning, contribution timing and compounding assumptions must be explicit; small timing changes can alter the required return. Study Guide focus: future value, TFSA planning, retirement projections, required return, and contribution timing.

NEW QUESTION: 13

Sunil and Shashi are married and both age 45. Each is the personal care Power of Attorney (POA) for the other. They have no children. Shashi would like to revise the personal care POA to ensure that it reflects her medical wishes. How should their financial planner advise Shashi to help her achieve her goal?

- A. Utilize her last will and testament.
- B. Appoint an alternate POA for personal care.
- C. Appoint someone other than Sunil as her POA for personal care.
- D. Utilize a living will.

Answer: D (LEAVE A REPLY)

Shashi already has a personal care power of attorney; her issue is that she wants the document framework to reflect her medical wishes. A living will, advance directive, or health-care directive records instructions about treatment preferences, end-of-life care, and medical decisions if she is unable to communicate. It gives guidance to the appointed

attorney for personal care rather than merely naming the decision-maker. Using a last will and testament would not solve the problem because a will operates at death, not during incapacity.

Appointing an alternate attorney may provide backup authority but does not describe Shashi's specific medical wishes. Replacing Sunil with another attorney also changes who decides; it does not document what Shashi wants. The planner should recommend that she speak with legal counsel to ensure the directive is valid under the applicable provincial rules and coordinated with the POA. Study Guide focus: incapacity planning, personal care POA, living wills, and estate planning documents.

NEW QUESTION: 14

Richard pays periodic spousal support and child support under a written separation agreement. Which statement is generally correct?

- A.** Qualifying periodic spousal support may be deductible to Richard and taxable to the recipient, while child support is generally neither deductible nor taxable.
- B.** Both spousal and child support are always deductible to Richard.
- C.** Child support is taxable to the recipient if paid monthly.
- D.** Spousal support is never relevant for tax planning.

Answer: A ([LEAVE A REPLY](#))

Tax treatment depends on the type of support. Periodic spousal support paid under a qualifying written agreement or court order is generally deductible to the payer and taxable to the recipient. Child support is generally not deductible to the payer and not taxable to the recipient. Option B wrongly treats child support like deductible spousal support. Option C confuses payment frequency with tax character; monthly payment does not make child support taxable. Option D is plainly incorrect because spousal support can materially affect after-tax cash flow for both parties. A financial planner should distinguish periodic support from lump-sum settlements, property transfers, arrears, legal fees, and combined agreements because classification changes projections. The planner should also ensure tax assumptions follow the wording of the agreement and should recommend legal or tax advice where facts are unclear. The planning result is measured on after-tax cash flow, not simply the gross support amount. References/topics: support payments, divorce planning, cash flow, tax deductibility.

NEW QUESTION: 15

Daniel, age 55, plans to continue working for AMG Telecommunications Corporation until he retires at age

60. The company has a defined contribution plan and Daniel is looking for the best option that will allow him to receive the highest guaranteed income throughout his retirement. He is not concerned about leaving an estate and feels that interest rates will be at high levels as he nears retirement. What planning strategy should Daniel's financial planner recommend he implement to achieve this objective?

- A. Use the proceeds to purchase a principal-protected note.
- B. Transfer proceeds to a locked-in RRSP and purchase a laddered GIC.
- C. Use the proceeds to purchase a life annuity.
- D. Transfer proceeds to a LIRA and purchase a target date fund.

Answer: C (LEAVE A REPLY)

A life annuity is the appropriate recommendation because Daniel wants the highest guaranteed lifetime income, is not concerned about leaving an estate, and expects interest rates to be high near retirement. An annuity transfers longevity risk and investment risk to the insurer in exchange for predictable payments.

Higher interest rates at annuity purchase generally support higher annuity income, all else equal. A principal-protected note is not a guaranteed lifetime income product and can contain complexity and market-linked return risk. A locked-in RRSP with laddered GICs preserves capital but does not guarantee income for life unless annuitized later. A LIRA invested in a target-date fund remains market-exposed and does not provide the highest guaranteed lifetime income. The planner should discuss annuity type, guarantee period, indexing, joint-life options, and loss of liquidity before implementation. Study Guide focus: defined contribution pensions, annuitization, longevity risk, guaranteed income, and retirement product selection. The recommendation must still consider whether Daniel needs indexing because fixed annuity income can lose purchasing power.

NEW QUESTION: 16

Bill is reviewing his credit bureau after being declined for a loan. He believes a loan that does not belong to him is appearing on the report. Which section should he review most closely?

- A. Inquiries.
- B. Public record information.
- C. Account history or trade lines.
- D. Personal identification only.

Answer: C (LEAVE A REPLY)

A liability that appears to belong to Bill would normally be found in the account history or trade-line section of the credit bureau. That section lists credit facilities such as loans, credit cards, lines of credit, balances, payment status, limits, and delinquency history. Option A is relevant when reviewing who accessed the report, but an inquiry is not itself a liability. Option B may show judgments, bankruptcies, or other public-record items, but a regular loan account is more likely to appear in account history. Option D should still be checked because identity errors can cause mixed files, but it is not where the disputed liability would usually be described. The planner should advise Bill to obtain the full report, identify the creditor, dispute inaccurate information with the bureau and lender, and retain supporting documentation. Credit accuracy matters because lenders assess repayment history, outstanding debt, utilization, and derogatory information when approving credit.

References/topics: credit bureau review, account history, borrowing capacity, liability management.

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NEW QUESTION: 17

A client asks when his RRSP must generally be converted to a retirement income vehicle. What should the planner explain?

- A.** By the end of the year he turns 71.
- B.** On the day he turns 65.
- C.** Only when he stops working.
- D.** Only after all RRSP assets are withdrawn in cash.

Answer: (SHOW ANSWER)

RRSP maturity is age-based. In general, an RRSP must be converted to a retirement income option, such as a RRIF or annuity, by the end of the calendar year in which the annuitant turns 71. Minimum RRIF withdrawals begin the following year if a RRIF is selected. Option B confuses eligibility for some retirement benefits and pension planning milestones with RRSP maturity. Option C is wrong because employment status does not eliminate the conversion requirement. Option D is not required and may be tax-inefficient; a full cash withdrawal could trigger substantial taxable income. A planner should treat conversion as a planning decision, not an administrative afterthought. The client's spouse's age, required income, tax bracket, pension splitting, investment mix, estate goals, and OAS exposure may influence whether to use a RRIF, annuity, or combination. The correct exam answer is the age-71 year-end deadline. References/topics: RRSP maturity, RRIF conversion, annuities, retirement income planning.

NEW QUESTION: 18

How should Jenny, a financial planner, explain the benefits of a fee for service method of compensation to a prospective client?

- A.** The planner is able to charge a higher fee based on the complexity of products sold.
- B.** The planner is compensated solely on the performance of the investment portfolio established by the planner for the client.
- C.** The planner is compensated based on the quality of the financial plan.

D. The planner has no incentive to recommend one product that provides higher compensation over another product with lower compensation.

Answer: D (LEAVE A REPLY)

A fee-for-service model reduces the incentive to recommend one product over another because compensation is not driven by product commission. The planner is paid for advice, planning work, or an agreed service arrangement rather than the compensation embedded in a product sale. This does not guarantee perfect objectivity, but it directly addresses product-compensation bias and makes remuneration more transparent.

Option A is not the benefit; charging more because products are complex can create its own conflict if not disclosed. Option B describes performance-based compensation, not fee-for-service financial planning.

Option C is imprecise because compensation is not objectively determined by the quality of the financial plan; it is determined by the fee arrangement. Jenny should explain the model in terms of transparency, alignment, and reduced product-driven incentives. Study Guide focus: planner compensation, fee-for-service advice, conflicts of interest, disclosure, and client relationship management. The compensation discussion should occur before engagement so the client understands what is being paid and why.

NEW QUESTION: 19

Which statement best distinguishes a defined benefit pension plan from a defined contribution pension plan?

- A.** A defined contribution plan guarantees the final lifetime pension amount.
- B.** A defined benefit plan generally provides a formula-based pension benefit.
- C.** A defined benefit plan has no employer involvement.
- D.** A defined contribution plan eliminates investment and longevity risk for the member.

Answer: B (LEAVE A REPLY)

A defined benefit pension plan promises a retirement benefit determined by a formula, commonly based on earnings, service, and an accrual rate. The member can estimate retirement income with greater certainty, subject to plan terms and funding rules. A defined contribution plan specifies contributions to an account; the eventual retirement income depends on contributions, investment returns, fees, annuity rates or withdrawal decisions, and longevity. Option A reverses the distinction. Option C is inaccurate because defined benefit plans are employer-sponsored arrangements with plan governance and funding obligations. Option D is wrong because defined contribution members bear significant investment and longevity risk unless they later purchase an annuity or otherwise transfer risk. For planning purposes, the distinction affects retirement projections, RRSP room through pension adjustments, asset allocation, risk capacity, and income sustainability. A planner must not treat all pensions alike; the type of pension determines both certainty of income and the risks remaining with the client. References/topics: defined benefit plans, defined contribution plans, pension risk, retirement projections.

NEW QUESTION: 20

Kendrick, age 55, owns a successful small business, ZXC Inc., valued at \$800,000. Kendrick has extensive savings outside of the business and would like to pass the company onto his son at some point in the future.

Kendrick expects the business to increase in value \$25,000 per year. If Kendrick decides to use an estate freeze to reduce the amount of taxes he will be required to pay, his financial planner should recommend that he implement the estate freeze at which point in relation to gifting the business to his son?

- A. One month prior to gifting the company.
- B. At the same time as gifting the company.
- C. To take effect at the time of his passing.
- D. Immediately.

Answer: [\(SHOW ANSWER\)](#)

NEW QUESTION: 21

Interest rates are expected to rise sharply. Which fixed-income security would normally have the highest price sensitivity to that change, all else equal?

- A. Six-month treasury bill.
- B. Twenty-year zero-coupon bond.
- C. Floating-rate note.
- D. High-interest savings account.

Answer: [B \(LEAVE A REPLY\)](#)

Price sensitivity to interest-rate changes is measured primarily through duration. A long-term zero-coupon bond normally has very high duration because the investor receives no interim coupons; the entire cash flow is concentrated at maturity. When rates rise, the present value of that distant cash flow falls sharply. Option A has low sensitivity because it matures quickly. Option C adjusts its coupon with reference rates, which usually reduces price volatility relative to fixed-coupon long bonds. Option D is a deposit product rather than a market-traded bond and generally does not experience the same market-price movement. This question tests the inverse relationship between bond prices and yields plus the additional effect of term and coupon structure. A planner should not simply ask whether fixed income is "safe"; fixed-income portfolios have interest-rate risk, reinvestment risk, credit risk, and liquidity risk. The highest-risk answer under rising rates is the longest zero-coupon exposure. References/topics: duration, bond pricing, interest-rate risk, fixed-income securities.

NEW QUESTION: 22

Mark, a financial planner, is meeting his client Adam for the first time. From the conversation, Mark learned that Adam has some experience on trading stocks. Adam asked Mark to explain about efficient market theory that he overheard a colleague talking about a few days ago. How should Mark respond to Adam's question in simple terms?

- A. Stock prices reflect all publicly-available information.
- B. Past mistakes can be avoided by using the information to anticipate change.
- C. Market prices of stocks have no relation to past price behaviour.
- D. Investors react differently to information.

Answer: A (LEAVE A REPLY)

The efficient market explanation that fits Adam's request is the semi-strong form: security prices already reflect publicly available information. Mark should keep the response simple because Adam asked for a plain- language explanation, not a technical lecture on market microstructure. The point is that, in an efficient market, new information is incorporated into prices quickly, making it difficult for investors to consistently earn abnormal returns from information that the market already knows. Option B describes learning from past mistakes, which is not efficient market theory. Option C is too absolute; price history may be analyzed by technicians, but the theory focuses on information efficiency rather than saying past prices have no relation to anything. Option D describes behavioural variation among investors, not the core theory. AFP investment planning uses this concept to distinguish passive market exposure from active security selection. Study Guide focus: efficient markets, passive investing, market information, and investment philosophy.

NEW QUESTION: 23

Kendrick, age 55, owns a successful small business, ZXC Inc., valued at \$800,000. Kendrick has extensive savings outside of the business and would like to pass the company onto his son at some point in the future.

Kendrick expects the business to increase in value \$25,000 per year. If Kendrick decides to use an estate freeze to reduce the amount of taxes he will be required to pay, his financial planner should recommend that he implement the estate freeze at which point in relation to gifting the business to his son?

- A. At the same time as gifting the company.
- B. Immediately.
- C. One month prior to gifting the company.
- D. To take effect at the time of his passing.

Answer: B (LEAVE A REPLY)

The estate freeze should be implemented immediately if Kendrick expects the business to continue appreciating. The purpose of the freeze is to lock in the current value of the owner's interest, usually by exchanging growth shares for fixed-value preferred shares, while future growth accrues to the successor generation or a trust. Waiting until the gift date, one month before the gift, or death allows additional appreciation to remain taxable to Kendrick. Since the company is already valued at \$800,000 and expected to grow by \$25,000 per year, every year of delay increases the value exposed to future tax in Kendrick's estate.

A freeze also needs legal and tax design, including valuation, share terms, control, income needs, and succession intentions. Among the options, immediate implementation best

achieves the objective of reducing future tax growth in his hands. Study Guide focus: estate freezes, business succession, preferred shares, future growth transfer, and tax minimization.

NEW QUESTION: 24

Mary, an accredited financial planner, recently met with clients Michael and Radha. They are high-net-worth clients who are in their mid-40s. Michael is a heavy equipment operator at a local oil field, and Radha is a homemaker. They are ready to retire in 10 years and very excited to start planning for the next chapter in their lives. Mary explained her planning process, her accreditation, and her remuneration. When Mary presented the client agreement letter, both clients were surprised. They said they did not know why they would sign a letter to get advice on their own finances. How should Mary answer their question?

- A.** The client agreement letter sets expectation for the partnership between, the client, the financial planner and their partners.
- B.** The client agreement letter outlines the overall investment strategy that is being recommended by Mary to Michael and Radha.
- C.** The client agreement letter is a non-legally binding contract that outlines the business relationship between the clients and the financial institution.
- D.** The client agreement outlines the specific financial planning strategies that will be implemented to help both Michael and Radha achieve their financial goals.

Answer: A (LEAVE A REPLY)

Mary should explain that the client agreement letter is the engagement document for the advisory relationship.

It confirms what services will be provided, the scope of planning, the roles and responsibilities of the clients and planner, how the planner is compensated, and any limitations or business arrangements that matter to the relationship. It is not the investment strategy itself; that comes after discovery, analysis, and recommendations. It is also not merely an informal or irrelevant bank form. A well-written engagement letter protects the clients because it tells them what they can expect, what information they must provide, and how decisions will be documented. For high-net-worth clients, clarity is even more important because multiple planning areas, specialists, and implementation steps may be involved. Mary should position the letter as a professional standard, not as a barrier to advice. Study Guide focus: engagement letters, financial planning process, client expectations, disclosure, and practice management.

NEW QUESTION: 25

A client refuses to provide details about debt balances, tax returns, and monthly expenses but asks the planner to confirm whether retirement at age 55 is achievable. What should the planner do?

- A.** Use generic assumptions and present the plan as reliable.

- B.** Proceed only with investment recommendations.
- C.** Explain that the conclusion will be limited or unreliable without the missing information.
- D.** Estimate the figures secretly from the client's age and income.

Answer: C (LEAVE A REPLY)

The quality of a financial plan depends on the completeness and accuracy of client information. Debt levels, tax position, spending patterns, and cash flow capacity directly affect retirement feasibility. A planner may provide limited analysis when information is missing, but the limitation must be clearly explained and documented. Option A is professionally weak because generic assumptions can create false confidence.

Option B narrows the engagement improperly; investment recommendations cannot be separated from cash flow, tax, and debt constraints. Option D is unacceptable because undisclosed estimates can mislead the client and undermine the planning record. The correct professional response is to explain why the information is needed, request supporting documents, identify the limitations if the client still refuses, and avoid presenting unsupported conclusions as definitive. If the missing data is material, the planner may need to decline to provide a retirement feasibility opinion. References/topics: client discovery, data reliability, scope limitations, documentation.

NEW QUESTION: 26

A financial planner is invited to serve as a paid director of a private corporation owned by one of her clients.

The client also wants the planner to continue providing personal financial planning advice. What should the planner do before accepting the directorship?

- A.** Accept because board compensation is separate from planning compensation.
- B.** Accept only if the client verbally confirms there is no conflict.
- C.** Disclose the proposed outside activity and obtain required approval from her firm.
- D.** Transfer the client to another planner without documenting the reason.

Answer: C (LEAVE A REPLY)

A paid directorship with a client's private corporation is a high-conflict outside activity. It can affect independence, create competing duties, expose the planner to confidential corporate information, and blur the boundary between personal advice and corporate governance. Before accepting, the planner must follow firm and regulatory procedures for outside business activities, obtain required approval, and determine whether the client relationship can continue without impaired judgment. Option A ignores the fact that compensation from a client-related entity is material even when it is not paid through the financial planning engagement. Option B is inadequate because client consent alone does not replace supervisory approval or conflict assessment.

Option D may become appropriate if the conflict cannot be managed, but an undocumented transfer is poor practice. A course-guide answer would emphasize disclosure, approval, conflict controls, and file documentation before any commitment is

made. References/topics: outside business activities, conflict management, disclosure, professional responsibility.

NEW QUESTION: 27

Barbara, age 50, is meeting with her financial planner, Clark. Barbara has been hired as the Chief Executive Officer of a very successful privately owned business. Her salary will be \$200,000 annually, plus a bonus.

Which retirement savings option should Clark recommend for Barbara?

- A.** An individual pension plan.
- B.** A retirement compensation arrangement.
- C.** A defined benefit plan.
- D.** A deferred profit-sharing plan.

Answer: A (LEAVE A REPLY)

An individual pension plan is the appropriate retirement savings option for Barbara. She is age 50, will earn a high salary as CEO of a successful privately owned business, and is likely in a position where an employer- sponsored defined benefit style arrangement can provide enhanced retirement funding. IPPs are particularly useful for older, high-income incorporated business owners or executives because permitted contributions can exceed RRSP limits under actuarial funding rules. A retirement compensation arrangement can supplement retirement benefits for very high earners, but the standard AFP recommendation in this fact pattern is the IPP.

A general defined benefit plan is not as targeted as an individual pension plan, and a deferred profit-sharing plan is usually less appropriate for maximizing retirement savings for a specific senior executive.

Implementation requires actuarial, legal, and tax administration. Study Guide focus: individual pension plans, executive retirement planning, incorporated businesses, RRSP limits, and tax-assisted savings. The recommendation should be confirmed with actuarial and tax advice because IPPs carry formal funding and administration rules.

NEW QUESTION: 28

Keitaro wants his spouse to receive income from his assets for life after his death, but wants the remaining capital to pass to his children from a prior marriage after the spouse dies. Which strategy best fits this objective?

- A.** Testamentary spousal trust naming the children as capital beneficiaries.
- B.** Outright gift of all assets to the spouse.
- C.** Adding the children as joint owners on all assets immediately.
- D.** Naming the estate as beneficiary of every account without trust provisions.

Answer: (SHOW ANSWER)

A testamentary spousal trust is a classic blended-family tool. It can provide income or benefit to the surviving spouse during the spouse's lifetime while preserving the remaining capital for children or other remainder beneficiaries. Properly structured, it may also allow a

tax-deferred rollover to the trust at death, subject to the spouse-benefit requirements. Option B gives the spouse full control and does not protect the children's remainder interest. Option C can create immediate tax consequences, loss of control, creditor exposure, family law risk, and disputes over beneficial ownership. Option D may increase probate administration and does not, by itself, control the spouse-versus-children distribution problem. The planner should identify the strategy but refer the client to an estate lawyer for drafting. The will must clearly define income rights, capital encroachment rules, trustee powers, tax allocation, and final distribution. References/topics: testamentary spousal trust, blended-family estate planning, tax-deferred rollover, capital beneficiaries. Trustee selection is also central because discretion must be exercised impartially.

NEW QUESTION: 29

A household has gross monthly income of \$9,500. Their monthly mortgage payment is \$2,100, property taxes are \$425, heating costs are \$175, car payments are \$600, and minimum credit card payments are \$250. What is their total debt service ratio?

- A. 28.4%.
- B. 31.1%.
- C. 37.4%.
- D. 44.2%.

Answer: C (LEAVE A REPLY)

Total debt service ratio includes housing debt costs plus other recurring debt obligations. The monthly obligations are: mortgage \$2,100, property taxes \$425, heating \$175, car payments \$600, and credit card minimums \$250. Total monthly debt service is \$3,550. Dividing \$3,550 by gross monthly income of \$9,500 gives 0.3737, or approximately 37.4%. Option A is close to a housing-only calculation that omits non-mortgage debt. Option B still understates the total obligation. Option D is too high based on the numbers provided. Debt service ratios help assess borrowing capacity, but they are not the entire planning answer. A planner should also test stability of employment, emergency reserves, renewal risk, variable-rate exposure, childcare costs, and discretionary spending. In this question, however, the calculation itself is decisive: all stated recurring debt obligations must be included for the total debt service ratio. References/topics: TDS ratio, mortgage affordability, liability analysis, cash flow planning.

NEW QUESTION: 30

What key question should be answered during the recommending strategies stage of the financial planning process?

- A. How can the client achieve her goals?
- B. Are the client's goals feasible?
- C. What are the client's needs and goals?
- D. How and by whom will the planner be compensated?

Answer: A (LEAVE A REPLY)

The recommending strategies stage answers the practical question: how can the client achieve the goals? At this point, the planner has already clarified needs and objectives, gathered data, analyzed the current position, and assessed feasibility. The recommendation stage converts that analysis into strategies such as debt repayment, insurance coverage, asset allocation, tax planning, retirement contributions, or estate actions.

Option B, feasibility, belongs mainly to the analysis stage. Option C, identifying needs and goals, belongs to discovery. Option D, compensation disclosure, belongs at engagement and relationship disclosure. AFP planning is sequential: define the relationship, collect information, analyze, develop recommendations, implement, and monitor. The tested wording points to strategy development, so option A is the only answer that fits the stage. Study Guide focus: financial planning process, strategy recommendation, goal implementation, client engagement, and planning workflow. This stage should produce actionable recommendations, responsible parties, and enough detail for the client to approve implementation.

NEW QUESTION: 31

Henri and Jessica have recently moved in together and Henri has been helping Jessica with her investments.

Jessica names Henri trading authority on her TFSA. Henri calls their financial planner requesting to make Jessica's TFSA contribution for this year but first requests the overall balance in Jessica's bank accounts (TFSA, high yield savings, chequing) to know if this is possible. What action would be most appropriate for their financial planner to take?

- A.** Recommend they establish an enduring power of attorney over Jessica.
- B.** Provide Henri with the balance since he has authority over the account.
- C.** Allow Henri to make the contribution from his account, but do not disclose the balance.
- D.** Advise Henri that Jessica should contact the financial planner directly.

Answer: D (LEAVE A REPLY)

Henri's authority is limited to trading authority on Jessica's TFSA. That does not give him authority to receive information about Jessica's bank balances, high-interest savings account, chequing account, or broader financial position. Trading authority permits specific account instructions within its scope; it is not a privacy waiver and does not equal power of attorney. The planner must protect Jessica's confidentiality and require Jessica to contact the planner directly or provide proper written authorization. Providing the balances because Henri has some account authority would breach privacy and exceed the mandate. Allowing Henri to contribute from his own account introduces attribution and contribution-room issues and still does not authorize disclosure. Recommending an enduring POA is not the immediate response unless Jessica wants incapacity or management authority planning. Study Guide focus: client confidentiality, third-party authority, trading authorization, privacy, and account documentation. The same privacy standard applies

even where the parties are spouses, partners, or informal helpers unless written authority exists.

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NEW QUESTION: 32

Ram Patel, age 65, is meeting with his financial planner, Maria Romano, to complete a financial plan. Ram is retiring this year, and his company provides a defined benefit pension plan. Upon retirement, he has the choice of receiving \$20,000 each year for 20 years or until death (whichever is earlier), or he can take \$304,300, which is the commuted value at retirement. Ram has confirmed that he will be transferring the commuted value to a LIRA. After further discovery, Maria suggests that they utilize a 5% market rate of return and project the funds to last 25 years. What should Maria update Ram's projected annual retirement income to?

- A. \$24,418.
- B. \$20,000.
- C. \$21,591.
- D. \$21,000.

Answer: (SHOW ANSWER)

Maria should update Ram's projected retirement income to approximately \$21,591. The commuted value is \$304,300, and Ram will transfer it to a LIRA. Using a 5% annual market return over a 25-year payout period, the annuity-style payment calculation is based on amortizing the capital over the projection period. The annual payment is calculated as present value multiplied by the discount rate factor: $\$304,300 \times 0.05$ divided by $1 - 1.05^{-25}$. The result is approximately \$21,591 per year. Option B is simply the original pension option and ignores the commuted-value projection. Option D is a rough estimate, and option A overstates the sustainable annual amount. AFP retirement analysis requires consistent assumptions for rate of return, payout period, and income timing before comparing pension alternatives. Study Guide focus: pension commuted values, LIRA transfers, retirement income projections, present value, and annuity calculations. The comparison should also recognize that a projected LIRA withdrawal stream is not the same guarantee as a pension promise.

NEW QUESTION: 33

A client sends an email alleging that a mutual fund recommendation was unsuitable because the fund declined sharply after purchase. The client asks for compensation. What is the financial planner's first professional obligation?

- A. Promise reimbursement to preserve the relationship.
- B. Remind the client that all investments can lose money and close the matter.
- C. Delete the email if the account forms were signed correctly.
- D. Document the complaint and follow the firm's complaint-handling procedure.

Answer: D (LEAVE A REPLY)

The issue is complaint governance. A written allegation of unsuitable advice and a request for compensation must be treated as a complaint, even if the planner believes the recommendation was defensible. The planner should preserve the communication, record the relevant facts, notify the appropriate supervisory channel, and follow the firm's complaint process. The file should contain the original KYC information, risk-tolerance evidence, fund recommendation rationale, disclosure documents, trade record, and subsequent communications. Option A is improper because compensation should not be promised before the complaint is reviewed under firm policy. Option B is dismissive; market loss alone may not prove unsuitability, but the complaint still requires a formal response. Option C is unacceptable and would create a serious recordkeeping and conduct breach. A professional process protects both parties: the client receives a fair review, and the planner demonstrates procedural discipline, supervision, and documentation. References/topics: complaint handling, suitability review, recordkeeping, regulatory compliance.

NEW QUESTION: 34

Harley is a novice investor who has just set up his first FHSA. He has a high-risk tolerance to market volatility and his primary investment objective is growth. He would like to invest \$10,000 and will use the funds as part of the first-time home buyers plan within the next year. What investment should Harley purchase within this FHSA?

- A. A one year locked-in GIC.
- B. A high interest savings account.
- C. An equity focused mutual fund.
- D. An income-focused mutual fund.

Answer: B (LEAVE A REPLY)

Harley's stated risk tolerance is not the controlling fact. The decisive constraint is time horizon: he intends to use the FHSA money within the next year for a first home purchase. When a required withdrawal is near, capital preservation and liquidity outrank long-term growth. A high-interest savings account is therefore the appropriate holding because it keeps the funds accessible and avoids exposing the down payment to equity market volatility. A locked-in one-year GIC may preserve capital, but it can create liquidity

problems if the home purchase occurs before maturity. Equity-focused and income-focused mutual funds can fluctuate in value and may be unsuitable for funds earmarked for a near-term transaction. In AFP investment planning, risk capacity can be low even when risk tolerance is high; the client cannot afford a market loss shortly before the purchase. Study Guide focus: FHSA funding, investment time horizon, liquidity, risk capacity, and short-term goal funding.

NEW QUESTION: 35

A financial planner recently started her new role at the bank and decided to create a checklist when meeting with prospects. She wanted to include one item on the checklist that would allow her to understand her clients' tolerance for risk. What information should she add, that will help her achieve this objective?

- A.** Tax returns.
- B.** Life insurance policy.
- C.** Qualitative questionnaire.
- D.** Previous financial plan.

Answer: [\(SHOW ANSWER\)](#)

Risk tolerance is measured through qualitative discovery, not through tax records or product documents. A properly designed questionnaire captures how the client thinks and behaves when markets decline, how much volatility is acceptable, whether losses create anxiety, and how the client prioritizes safety versus growth. Tax returns may reveal income and deductions, but they do not establish willingness to accept investment risk. A life insurance policy is relevant to risk management, not market-risk tolerance. A previous financial plan may provide useful background, but it may be outdated and still requires current confirmation. The questionnaire is only one part of the process; the planner should also assess risk capacity using objective facts such as time horizon, liquidity, income stability, debt level, and goal flexibility. For the checklist item requested, however, qualitative questionnaire is the correct answer. Study Guide focus: risk profiling, qualitative discovery, behavioural finance, KYC, and suitability. That behavioural evidence is then reconciled with objective capacity before an investment recommendation is made.

NEW QUESTION: 36

Leena and Harry are married and hold RRSPs with a value exceeding \$500,000. They are concerned about their final tax liability and want to cover the taxes after they have both died. What would their financial planner recommend them to implement in order for the couple to achieve the objective?

- A.** Purchase a joint last-to-die permanent life insurance policy.
- B.** Set up a testamentary trust through their wills.
- C.** Update the beneficiary of the RRSP plans to each other.
- D.** Transfer the funds into an inter vivos trust.

Answer: **A** [\(LEAVE A REPLY\)](#)

A joint last-to-die permanent life insurance policy is designed for a tax liability that arises after both spouses have died. Leena and Harry are concerned about the final tax exposure on large RRSP balances. If one spouse dies first and the surviving spouse is the beneficiary or successor annuitant, RRSP/RRIF amounts may generally roll to the survivor on a tax-deferred basis. The larger tax problem usually appears on the second death, when no spouse remains for rollover and the registered assets are included in income. Last-to-die coverage pays at that point and can provide estate liquidity for taxes without forcing asset sales. A testamentary trust does not itself fund the tax bill. Updating beneficiaries to each other helps deferral but not the final liability. An inter vivos trust cannot simply receive RRSP assets without tax consequences. Study Guide focus: RRSP/RRIF death taxation, spousal rollover, permanent insurance, estate liquidity, and last-to-die planning.

NEW QUESTION: 37

A married couple has a \$480,000 mortgage with 15 years remaining. They want the mortgage retired if either spouse dies during that period. What insurance structure best fits this objective?

- A.** Joint 15-year term last-to-die policy.
- B.** Joint 15-year term first-to-die policy.
- C.** Joint permanent last-to-die policy.
- D.** Individual annuities for both spouses.

Answer: ([SHOW ANSWER](#))

The risk event is the first death, because the surviving spouse would immediately face the mortgage obligation with reduced household capacity. A joint first-to-die term policy pays when the first insured spouse dies, and a 15-year term aligns the coverage period with the remaining mortgage horizon. Option A pays only after both spouses have died, which is too late to protect the survivor. Option C has the same timing problem and adds permanent-insurance cost for a temporary mortgage need. Option D is unrelated; annuities provide income, not death-benefit protection for a mortgage. The planner should also consider whether separate term policies would offer more flexibility, whether the coverage amount should be level or decreasing, and whether the policy should be personally owned rather than lender-owned creditor insurance. The central course principle is matching insurance type, term, amount, and ownership to the specific risk being transferred.

References/topics: first-to-die insurance, term life, mortgage liability, survivor protection.

NEW QUESTION: 38

Chris is a self-employed contractor discussing his retirement plans with his financial planner, Joseph. Chris is considering incorporating his business and drawing funds from his corporation to fund his retirement income, yet he wants to ensure it does not impact his business's financial position. What advice should Joseph give to Chris?

- A.** Speak with a lawyer to review the impact of incorporating.

- B.** Consult an online service that helps individuals incorporate.
- C.** Inform Chris of the impacts of incorporating and recommend any changes he feels are appropriate.
- D.** Speak with an accountant to review the impact of incorporating.

Answer: ([SHOW ANSWER](#))

Joseph should refer Chris to an accountant because the immediate issue is the tax and financial impact of incorporation and retirement cash extraction. Incorporating can change how income is earned, retained, invested, and withdrawn through salary, dividends, shareholder loans, or corporate distributions. It can affect CPP participation, RRSP room, passive investment income, corporate cash flow, creditor separation, and after-tax retirement funding. A lawyer is important for legal formation, shareholder agreements, and corporate records, but the facts emphasize the business's financial position and retirement-income funding. An online incorporation service is insufficient for planning. Joseph should not provide detailed corporate tax advice outside his competence or recommend changes without specialist input. The AFP standard is to identify the planning issue, explain the need for coordinated advice, and refer to the appropriate professional. Study Guide focus: incorporation, tax integration, professional referrals, retirement cash flow, and scope of competence.

The referral should occur before Chris restructures compensation, retains corporate surplus, or relies on corporate assets for retirement income.

NEW QUESTION: 39

Alexander and Irena, age 30 and 32 respectively, are married and have been working full-time for one year.

They have a daughter, age 3, and are expecting their second child. They recently bought a home with a mortgage balance of \$390,000 at 4% amortized over 25 years. Their financial planner is trying to determine their tolerance for risk. After completing the life-cycle analysis, how can their financial planner explain the stage in which the couple finds themselves and the risk tolerance associated with it?

- A.** They are at the consolidation stage where they can tolerate moderate to high level of risk.
- B.** They are at the accumulation stage where they can tolerate a high level of risk.
- C.** They are at the financial independence stage where their tolerance of risk is low.
- D.** They are at the gifting stage where their tolerance of risk is low.

Answer: **B** ([LEAVE A REPLY](#))

Alexander and Irena are in the accumulation stage. They are young, recently established in full-time work, have young dependants, and carry a large mortgage. This stage commonly involves high debt, rising income potential, competing family costs, and a long investment horizon. A high tolerance for investment risk may be appropriate if cash flow, emergency reserves, insurance, and debt servicing are properly managed. The consolidation stage usually applies later when debts are lower and retirement savings

become a stronger priority. Financial independence and gifting are later stages, usually associated with retirement security or surplus wealth transfer. The planner should explain that accumulation clients can often take more market risk because time is on their side, but they must also protect human capital and family obligations. Study Guide focus: life-cycle analysis, accumulation stage, family protection, mortgage debt, and risk tolerance. The planner should separate their willingness to take risk from their capacity after mortgage, childcare, and insurance costs.

NEW QUESTION: 40

Evan meets with his financial planner to review his concerns around inflation and its impact on his TFSA investment portfolio. His financial planner researches the current holdings and recommends that he sells one of the portfolio's equity funds. Which replacement option should the financial planner recommend to Evan?

- A.** Real estate investment trusts.
- B.** Guaranteed investment certificates.
- C.** Gold bullion.
- D.** Treasury bills.

Answer: A (LEAVE A REPLY)

The inflation concern directs the planner toward assets that may respond positively to rising prices. Real estate investment trusts hold income-producing property, and rents or property values may adjust over time as inflation affects replacement cost and lease rates. That does not make REITs risk-free, but they are more directly inflation-sensitive than nominal guaranteed products. GICs and treasury bills preserve nominal capital but may lose purchasing power after inflation and tax. Gold bullion may be used as a speculative inflation hedge, but it produces no income and can be volatile; it is not the best replacement for an equity fund within a diversified TFSA portfolio unless the mandate specifically permits that exposure. The planner should recommend an inflation-aware asset that remains investment-oriented and diversified. AFP investment planning treats inflation as purchasing-power risk, not simply price volatility. Study Guide focus: inflation risk, real assets, REITs, TFSA investment selection, and portfolio construction.

NEW QUESTION: 41

Gina plans to take a one-year leave of absence from her employer without pay. Gina has a TFSA invested in equity mutual funds which is currently below book value, an RRSP invested in cash, a Nova Scotia LIRA invested in GICs, and a line of credit. Assuming all have sufficient funds, which plan should Gina access to ensure she meets her goal of budget effectiveness during this time?

- A.** The TFSA.
- B.** The LIRA.
- C.** The line of credit.
- D.** The RRSP.

Answer: D (LEAVE A REPLY)

Gina needs a practical cash-flow source for a one-year unpaid leave. The LIRA is generally locked in and unavailable for ordinary spending. A line of credit would meet the cash need but would add interest expense and weaken the budget during a period with no salary. Her TFSA is invested in equity mutual funds below book value, so redeeming it would crystallize a market loss and remove the possibility of recovery inside the TFSA. The RRSP is already in cash and Gina's income during the leave will be low, making the withdrawal less tax-costly than it would be in a normal salary year. Although RRSP withdrawals are taxable and reduce retirement assets, in the specific fact pattern it is the best budget-effectiveness choice among the available sources. The planner should still calculate withholding tax and the minimum amount required. Study Guide focus: source-of-funds analysis, registered accounts, LIRA restrictions, tax brackets, and cash-flow planning.

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