

Certified Trust Financial Advisor (CTFA)

1. Financial goals cover a wide range of financial aspirations such as:

A. Controlling living expenses

B. Meeting retirement needs

C. Setting up a savings and investment program

D. All of the above

Answer(s): D

2. These are target dates in the future when certain financial objectives are expected to be completed. What are these?

A. Goal dates

B. Target dates

C. Due dates

D. Financial dates

Answer(s): A

3. Today's well-defined employee benefits packages cover a full spectrum of benefits that may include all EXCEPT:

A. Long-term care insurance

B. Dental and vision care

C. Subsidized employee benefit plan

D. Partial retirement plans

Answer(s): D

4. Tax deferred retirement plans and flexible spending accounts offer tax advantages. Some retirement plans allow you to against them.

A. Lend

B. Borrow

C. Spend

D. None of the above

Answer(s): B

5. Accumulating assets to enjoy in retirement is only part of the:

A. Long-term financial planning process

B. Short-term financial planning process

C. Life time financial planning process

D. Permanent financial planning process

Answer(s): A

6. This is a type of employee benefit plan wherein the employer allocates a certain amount of money and then the employee spends that money for benefits selected from a menu covering everything from child care to health and life insurance to retirement benefits.

A. Flexible benefit plan

B. Cafeteria plan

C. Short-term financial plan

D. Both of the above are one and the same

Answer(s): D

7. Most financial planners fall into one of two categories based on how they are paid. Commission based planners earn commissions on the financial products they sell, whereas charge fees based on the complexity of the plan they prepare.

A. Free only planners

B. Commission based planners

C. Professional planners

D. Security planners

Answer(s): A

8. When determining the interaction between the UK and EU on the regulation of the financial services industry, the UK government must always

A. seek approval from the European Commission before implementing any new regulations.

B. implement new EU Directives by passing acts of Parliament.

C. accommodate all EU Decisions in UK legislation.

D. provide copies of new regulation to the European Commission within a reasonable period of time for their approval.

Answer(s): B

9. A client has previously written to her former adviser opting out of any marketing activities from the firm or any third parties. However, she continues to receive direct investment offers from the firm. She should complain based on the firm not complying with which set of regulations?

A. Conduct of Business rules.

B. Data Protection Act 1998.

C. Distance Selling Regulations.

D. Treating Customers Fairly.

Answer(s): B

10. The Financial Services and Markets Act 2000 regulates the provision of which type(s) of financial advice?

A. Advice to vulnerable individuals only

B. Advice to all individuals

C. Advice to all individuals and group personal pensions schemes only

D. Advice to all individuals unless they are elective professional clients

Answer(s): B

11. Simon has experience of dealing with retail clients and is now in training to qualify as a pension transfer specialist. As a consequence, which of the following statements are true?

A. He must have at least 3 years' experience as an adviser before his training can commence

B. His firm is allowed to impose a time limit on completion of the qualification

C. His supervisor must also be suitably qualified

D. Once qualified, CPD requirements are waived for 12 months

E. Once qualified, records of his training must be maintained for at least 5 years

Answer(s): B C

12. The efficient frontier curve shows the optimum balance between:

A. Risk and return

B. Return and taxation

C. Taxation and risk

D. Inflation and return

Answer(s): A

13. A UK investor holds a portfolio of overseas equities and is concerned about the exchange rate risk. Which strategy could he use to mitigate this risk?

A. Arbitrage

B. Gearing

C. Hedging

D. Pound cost averaging

Answer(s): C

14. When constructing a portfolio for a UK resident basic-rate taxpayer who requires an income, the most tax efficient solution would be achieved by:

A. Only investing in offshore products

B. Holding fixed-interest funds within a stocks and shares ISA

C. Purchasing National Savings & Investments (NS&I) Fixed-Interest Savings Certificates

D. Holding high-yielding equities within a stocks and shares ISA

Answer(s): B

15. The principal reasons for using the Sharpe ratio when calculating a portfolio's performance are:

A. It indicates the percentage return above/below the risk-free rate for each unit of risk taken

B. It will always be quoted on a rolling quarterly basis

C. A positive Sharpe ratio will always guarantee positive returns

D. The higher the number, the more a portfolio manager can be said to have added value

Answer(s): A D

16. Pauline, a basic-rate taxpayer, has a portfolio which comprises of various equity and fixed-interest unit trusts and OEICs. She should be aware that:

A. Any losses from this portfolio are allowable for Capital Gains Tax calculations

B. Her entire portfolio will be subject to a 10% tax credit

C. Only the proceeds of sale from the OEICs could be subject to Capital Gains Tax

D. The taxation of dividends on the OEICs held will be treated the same way as the unit trusts

E. She can never reclaim any tax deducted at source

Answer(s): A D

17. Philip took out a qualifying onshore endowment policy for 20 years which he made paid-up in year 9. This means that he may become personally liable to tax on the policy proceeds:

- A. At maturity
- B. If he makes a partial surrender
- C. If he assigns the policy to his wife
- D. On settlement of a critical illness claim

Answer(s): A B

18. Bill, a single man, having made full use of his annual gift allowances, made a potentially exempt transfer of £100,000 four and a half years before his death. He has made no other gifts. His residual estate is now valued at £500,000. The Inheritance Tax liability at death is:

- A. £30,000
- B. £46,000
- C. £94,000
- D. £110,000

Answer(s): D

19. On Brian's death, his estate was valued at £820,000. He bequeathed £40,000 to a registered charity and split the balance equally between his registered civil partner and his brother. Assuming he made no lifetime transfers, what will the Inheritance Tax liability be?

- A. £22,750
- B. £26,000
- C. £29,750

D. £34, 000

Answer(s): B

20. Trevor is a member of a defined benefit company pension scheme. Which factor relating to his circumstances confirms that he will avoid incurring a special annual allowance charge in the current tax year?

A. He is a member of an Employer Financed Retirement Benefit Scheme (EFRBS)

B. He is aged 61

C. His total annual earnings have never exceeded £110, 000

D. His benefits include the maximum level of death benefit

Answer(s): C
