CFP® Exam | Exam Prep Review



JULY 2026–MARCH 2027

Financial Planning Case Studies

COLLEGE FOR FINANCIAL PLANNING®
A KAPLAN COMPANY

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COLLEGE FOR FINANCIAL PLANNING REVIEW FOR THE CFP® CERTIFICATION EXAMINATION
FINANCIAL PLANNING CASE STUDIES 2026
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Preface

PRODUCTS AND SERVICES FOR THE CFP® EXAM

COLLEGE FOR FINANCIAL PLANNING REVIEW COURSES FOR THE CFP® EXAM

The College for Financial Planning®—a Kaplan company offers several options to meet the diverse needs of candidates.

THE LIVE REVIEW COURSE

Instruction in both the onsite and live online classroom programs consists mainly of teaching substantive material and helping students master both the knowledge and application of topics that they will likely encounter on the exam. Material is also presented integrating CFP Board's current 2021 Principal Knowledge Topics and Principal Knowledge Domains, which are the blueprints for the July 2026–March 2027 exams. The course includes working through various types of problems to ensure that the substantive materials taught can be applied to exam-like questions. Students also receive instruction in actual exam-management techniques.

Live Online Program

The College for Financial Planning Live Online Review is an instructor-led, web-based program that provides all the benefits of a classroom review from the convenience of the student's home or office. This program format is a great option for those who have access to the web and prefer not to incur the expense of travel. This course is an intensive program consisting of 33 hours of instruction in 11 three-hour classes. Students receive real-time interaction with their instructor and have access to a recorded playback option.

OnDemand Program

The College's OnDemand exam preparation program is similar to the onsite or live online classroom programs, except that the instructional delivery is offered through OnDemand teaching videos that guide students through the topics tested on the national exam.

LIVE REVIEW STUDY TOOLS

Summary of Commonly Tested Topics

The *Summary of Commonly Tested Topics* is an easy-to-use Live Review class companion with study notes to help keep students organized during and after live online, onsite, and OnDemand classes.

Pre-Study Assessment

Available only to Live Review students, the Pre-Study Assessment allows students to identify areas of strength and weakness before studying for the CFP® Exam. This study aid allows students to tailor their study plans to the areas identified on a report provided once the Pre-Study Assessment is completed.

CFP® Certification Education Course Textbooks

EDUCATION BOOKS

Each financial planning course in our curriculum comes with a corresponding education program textbook. Students have digital access to these concise, clear, and comprehensive study notes and supplemental readings. The Learning Objectives (LOs) highlighted in the Summary of Commonly Tested Topics refer back to LOs in our program textbooks, which provide more comprehensive coverage of each concept.

FINANCIAL PLANNING CASE STUDIES

Financial Planning Case Studies is designed to prepare students for the comprehensive cases included on the CFP® Exam. This valuable study tool provides the exam candidate with 8 comprehensive cases, item sets, and mini-cases that test students' knowledge and application of the exam topics. The answers and explanations for each multiple-choice question are provided, and the text has been updated to reflect 2026 law and inflation adjustments available at the date of printing. Students who have used the Financial Planning Case Studies book have said that it is a must for national exam preparation.

ONLINE MOCK EXAMS

Mock Exam Sessions 1 and 2 simulates the six-hour comprehensive CFP® Exam. Much like the actual exam, this online exam is divided into two sessions (which are further divided into two sub-sessions each), with a three-hour time limit for each session. Each session contains multiple-choice questions, item sets, and comprehensive cases. Two mock exams are provided. They serve as diagnostic tools that are useful in identifying students' areas of strength and weakness and can be used to help them focus on topics they find more difficult. The mock exam is also updated to reflect 2026 law and inflation adjustments.

FINANCIAL CALCULATOR WORKBOOK

The Financial Calculator Workbook is designed to assist students in gaining proficiency in using a financial calculator to work through problems they may encounter on the exam. In addition to helping master the keystrokes for the financial calculator, it is also designed to assist students with the underlying financial theory of these problems. The answers to all calculations are illustrated step by step, showing keystrokes for the HP 10BII+ and TI BAII Plus financial calculators. The Financial Calculator Workbook is available as a downloadable PDF file in the resource documents area of the student LMS.

REVIEW QBANK

Designed to be used in conjunction with the Summary of Commonly Tested Topics and the online mock exams, the online Review QBank challenges students studying for the CFP® Exam. It is designed to give students practice in answering questions relating to content most likely to be tested on the CFP® Exam.

Students can create customized, timed practice quizzes from the eight topics tested on the CFP® Exam. All practice quizzes are scored and allow students to analyze their competencies by topic areas. Customized quizzes may be saved for future reference.

HIGH FIVE VIDEOS

The High Five Videos discuss the application of important CFP® Exam topics in ways students may see them tested on the national CFP® Exam. Topics are presented in various contexts so students can understand how the topics may be approached in exam questions. This is important because the national exam tests not only students' knowledge of topics but also their ability to apply this knowledge in various scenarios.

ACKNOWLEDGMENTS AND SPECIAL THANKS

We are most appreciative of the tremendous support and encouragement we have received from everyone throughout this project, and are extremely grateful to the users of our texts who were gracious enough to provide us with valuable comments.

We very much appreciate the continued support of the many registered programs who have adopted our review materials. We understand that our success is a direct result of that support.

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Introduction

ABOUT THE CFP® EXAM

EXAMINATION PROCEDURES

Read carefully the procedures outlined in the *Guide to CFP® Certification*, available at www.cfp.net. The section entitled "CFP® Certification Examination" covers:

- dates of examinations;
- alternate test dates and test facilities;
- fees for the examination;
- scheduling confirmations;
- withdrawal from the exam;
- medical emergencies;
- items to bring to the examination;
- examination misconduct;
- examination scoring;
- score reports;
- pass score;
- reexamination procedures; and
- review and appeals.

A copy of the *Guide to CFP® Certification* also may be obtained from CFP Board, at the following address:

Certified Financial Planner Board of Standards, Inc.
1425 K Street, NW, Suite 500
Washington, DC 20005
Telephone: 1-800-487-1497
Fax: 1-202-379-2299
Website: www.cfp.net
Email: mail@CFPBoard.org

DATE GIVEN

The exam is administered at Prometric locations three times a year in March, July, and November over an eight-day window in each month.

It is the student's responsibility to verify the exam and registration dates, as well as register for the exam.

For updates and information regarding the CFP® Exam, your exam registration, exam application deadlines, and so forth, please refer to CFP Board's website at www.cfp.net.

For updates to the College's study materials (e.g., legislative changes, inflation-adjusted tax rate summaries, and errata), please refer to the EPR Updates/Errata folder on the Exam Prep Review dashboard under Study Tools.

QUESTION TYPES

The CFP® Exam consists of 170 multiple-choice questions. The majority of these are stand-alone questions that contain all relevant information within the body of the question. Also included are item set and mini-case questions where one fact pattern will be used to answer multiple questions. In general, mini-case questions will have more comprehensive question stems than those in item sets. A portion of the exam is in the form of case analysis. There will be one case in either or both of the two exam sessions; each case will have approximately 10–15 questions. The information needed to answer these questions is generally found within the body of the case. These cases can be several pages long, making it somewhat difficult to efficiently organize the information to answer the questions.

The stand-alone questions, item sets, mini-cases, and case study questions may test only one particular area of financial planning, such as investments. Many of the questions, however, are integrated questions, meaning that more than one topic is covered in the question. For example, a question might integrate investments and taxation. These integrated questions are designed to test your ability to analyze and evaluate fact situations involving many planning considerations.

TIME AND TIME ANALYSIS

There are six hours of examination time:

- Two 3-hour sessions, each with two sub-sessions, separated by a 40-minute break
- 170 questions total
- One or two case studies with questions, average 10–15 per case

PASS RATES

Student pass rates (national averages from all registered programs) have ranged from 50% to 67% on recent exams. This exam is a pass/fail professional exam with no partial credit. Therefore, it is vitally important that you be thoroughly prepared for all the topics—and the application of the topics—covered on this examination.

CFP® CERTIFICATION EXAMINATION PRINCIPAL KNOWLEDGE TOPICS AND PRINCIPAL KNOWLEDGE DOMAINS

The following CFP® Exam 2021 Principal Knowledge Topics and Principal Knowledge Domains are the blueprints for the July 2026 through March 2027 national exams.

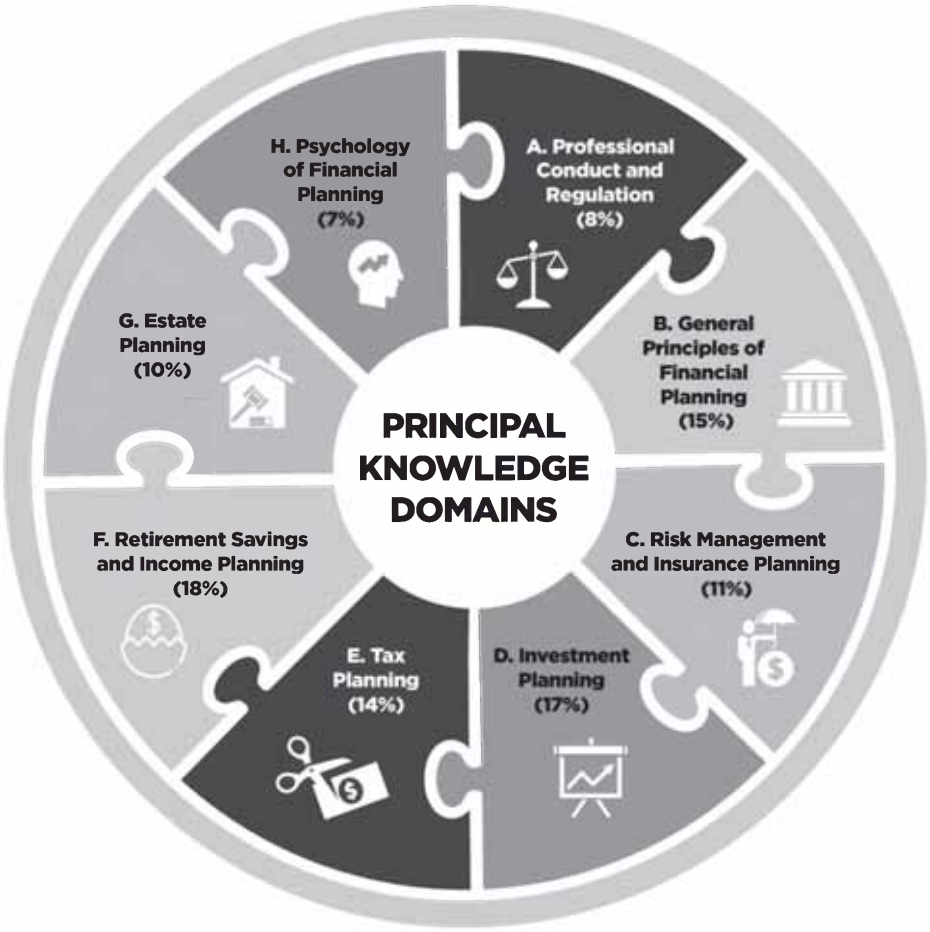
2021 PRINCIPAL KNOWLEDGE TOPICS (70)

The following Principal Knowledge Topics are based on the results of CFP Board's 2021 Practice Analysis Study.

The Principal Knowledge Domains will serve as the blueprint for the March 2022 CFP® Certification Examination and subsequent administrations of the exam. Each exam question will be linked to one of the following Principal Knowledge Topics, in the approximate percentages indicated following the domain headings.

The Principal Knowledge Topics also serve as a curricular framework for CFP Board's education coursework requirement and the topics CFP Board accepts for continuing education credit.

EIGHT PRINCIPAL KNOWLEDGE DOMAINS



2021 PRINCIPAL KNOWLEDGE TOPICS

A. PROFESSIONAL CONDUCT AND REGULATION



A.1 CFP Board's Code of Ethics and Standards of Conduct

A.2 CFP Board's Procedural Rules

A.3 Function, purpose, and general structure of financial institutions

A.4 Financial services regulations and requirements

A.5 Consumer protection laws

A.6 Fiduciary standard and application

B. GENERAL PRINCIPLES OF FINANCIAL PLANNING



B.7 Financial planning process

B.8 Financial statements

B.9 Cash flow management

B.10 Financing strategies and debt management

B.11 Economic concepts

B.12 Time value of money concepts and calculations

B.13 Education needs analysis

B.14 Education savings vehicles

B.15 Education funding

B.16 Gift/income tax strategies

C. RISK MANAGEMENT AND INSURANCE PLANNING

C.17 Principles of risk and insurance

C.18 Analysis and evaluation of risk exposures

C.19 Health insurance and health care cost management (individual and group)

C.20 Disability income insurance (individual and group)

C.21 Long-term care insurance and long-term case planning (individual and group)

C.22 Qualified and Non-Qualified Annuities

C.23 Life insurance (individual and group)

C.24 Business owner insurance solutions

C.25 Insurance needs analysis

C.26 Insurance policy and company selection

D. INVESTMENT PLANNING

D.27 Characteristics, uses and taxation of investment vehicles

D.28 Types of investment risk

D.29 Market cycles

D.30 Quantitative investment concepts and measures of investment returns

D.31 Asset allocation and portfolio diversification

D.32 Bond and stock valuation concepts

D.33 Portfolio development and analysis

D.34 Investment strategies

D.35 Alternative investments and liquidity risk

E. TAX PLANNING

E.36 Fundamental and current tax law

E.37 Income tax fundamentals and calculations

E.38 Characteristics and income taxation of business entities

E.39 Income taxation of trusts and estates

E.40 Tax reduction/management techniques

E.41 Tax consequences of property transactions

E.42 Tax implications of special circumstances

E.43 Charitable/philanthropic contributions and deductions

F. RETIREMENT SAVINGS AND INCOME PLANNING

F.44 Retirement needs analysis

F.45 Social Security and Medicare planning

F.46 Eldercare and special needs planning

F.47 Types of retirement plans

F.48 Qualified plan rules and options

F.49 Non-qualified plan rules and options

F.50 Key factors affecting plan selection for businesses

F.51 Distribution rules and taxation

F.52 Retirement income and distribution strategies

F.53 Business succession planning

G. ESTATE PLANNING

G.54 Property titling and beneficiary designations

G.55 Strategies to transfer property

G.56 Estate and incapacity planning documents

G.57 Gift, estate, and GST tax compliance and calculation

G.58 Sources for estate liquidity

G.59 Types, features, and taxation of trusts

G.60 Marital deduction

G.61 Intra-family and other business transfer techniques

G.62 Postmortem estate planning techniques

G.63 Planning for divorce, unmarried couples and other special circumstances

G.64 Planning for special needs and circumstances

H. PSYCHOLOGY OF FINANCIAL PLANNING

H.65 Client and planner attitudes, values, biases

H.66 Behavioral finance

H.67 Sources of money conflict

H.68 Principles of counseling

H.69 General principles of effective communication

H.70 Crisis events with severe consequences

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Case Study 1: Derek and Olga Berger

Case Study Facts

Derek and Olga Berger have come to you, a CFP® professional, for help in developing a plan to accomplish their financial goals. From your initial meeting together, you have gathered the following information. Today is December 31, 2026.

PERSONAL BACKGROUND AND INFORMATION

Derek Berger (Age 26)

Derek Berger is employed as a salesperson and trainer at a computer retailer. He has been employed with this company for five years.

Olga Berger (Age 26)

Olga Berger is a German citizen and is employed as a floral designer for a local florist.

The Bergers

Derek and Olga have been married for two years.

Children

The Bergers have one child, Ursula (age 1).

Derek's Parents

Derek's parents, Adriana and Leonard, are wealthy and live in Idaho. They own all of their property as community property. They have known Olga for a long time, and any gifts that they make will be to both Derek and Olga. Adriana and Leonard have made no previous taxable gifts.

The Bergers expect Derek's parents either to lend interest free or to give them a $30,000 down payment (approximately 15% of the purchase price) to purchase a house.

PERSONAL AND FINANCIAL INFORMATION AND OBJECTIVES

- Derek wants to start his own business in 10 years. In the meantime, he plans to advance in his current job. He wants to open a business similar to his current employment and expects he will need $100,000 in today's dollars to start the company.
- They want to buy a house in the $200,000 price range. They expect taxes and insurance to average $350 per month.
- They like to take vacations (twice a year) with an average cost of $2,250 per vacation. Derek and Olga also like to go out with friends or entertain weekly.
- They plan to retire in 30 years and believe $50,000 per year (in today's dollars) would be sufficient during retirement.
- They expect compensation increases to average 3.5% annually over their remaining work life expectancy.
- They both expect to live until age 90.

ECONOMIC INFORMATION

- Expected inflation (CPI) will average 3.5% annually.
- Expected return for the S&P 500 Index is 11% annually.
- 90-day T-bills are currently yielding 1%.
- Current mortgage rates are as follows:
  - —Fixed 15-year mortgage: 3.5%
  - —Fixed 30-year mortgage: 4.0%
- Home closing costs are expected to be 3% of any mortgage.
- Savings accounts currently yield 0.5% annually, compounded monthly.
- One-year certificates of deposit are currently yielding 1.5%.
- Unemployment is currently 6%.

INSURANCE INFORMATION

Life Insurance	
Insured	Derek
Owner	Derek
Beneficiary	Olga
Face amount	$50,000
Policy type	Group term
Settlement option	Lump sum
Premium	Employer-paid
Health Insurance	
Premium	Derek's premium is fully paid by employer; Olga and Ursula are dependents under Derek's policy.
Coverage	Major medical, 80/20 coinsurance; dental coverage is not provided.
Deductible	$250 per person (three-person maximum)
Family maximum out-of-pocket limit	$5,000
Disability Insurance	
Neither Derek nor Olga has disability insurance.	
Automobile Insurance	
Premium	$1,000 total annual premium for both vehicles
Bodily damage and property damage	$10,000/$25,000/$5,000 for each vehicle
Comprehensive	$250 deductible
Collision	$500 deductible
Renters Insurance	
Type	HO-4
Contents coverage	$35,000
Annual premium	$180
Deductible	$250
Liability	$100,000
Medical payments	$1,000 per person
Endorsements	None

INVESTMENT INFORMATION

Both Derek and Olga have a high investment risk tolerance. Derek's Section 401(k) has a current balance of $3,840. He is currently deferring 4% of his salary, and the plan allows him to defer up to 25%. The plan offers a variety of mutual funds ranging from aggressive growth stock funds to money market funds. Derek currently has 100% invested in the Growth Fund.

Several years ago, Derek's grandfather gave him URS stock. The fair market value at the date of the gift was $6,000. Derek's grandfather originally paid $2,000 for the stock. He had already used his annual exclusion for gifts to Derek, and he paid gift tax of $2,400 on the gift.

The Bergers' required rate of return for investments is 1% below the forecasted S&P 500 Index return.

INCOME TAX INFORMATION

Their federal income tax rate (married filing jointly) is 10% and state is 2%.

RETIREMENT INFORMATION

Derek is a participant in his employer's Section 401(k) plan. The Section 401(k) plan has a two-to-six-year graduated vesting schedule. The company has made matching contributions of $1,500, which is included in Derek's Section 401(k) balance. The balance also includes $1,500 of contributions by Derek and prorated earnings of $840. Derek has not designated a beneficiary for the account.

Olga and Derek each contributed $4,000 to a traditional IRA for the current tax year.

GIFTS, ESTATES, TRUSTS, AND WILL INFORMATION

Derek and Olga have simple handwritten wills leaving all probate assets to each other.

Statement of Cash Flows Derek and Olga Berger For 2026 (Monthly) (Expected to be similar in 2027)		
CASH INFLOWS		
Salary—Derek[1]	$4,000	
Salary—Olga[2]	2,500	
Interest income	5	
Total inflows[3]		$6,505
CASH OUTFLOWS		
Traditional IRA contributions	$666	
401(k) plan contribution	200	
Rent	1,250	
Groceries	350	
Utilities	80	
Water	70	
Cellphones	100	
Auto fuel	100	
Auto repair	50	
Cable TV	85	
Child care	400	
Entertainment	300	
Vacations[4]	375	
Auto insurance	84	
Renters (HO-4) insurance	15	
State withholding	100	
Federal withholding and FICA	598	
Student loan—Derek 1	144	
Student loan—Derek 2	111	
Student loans—Olga	45	
Credit card 1—Derek	51	
Gas card—Derek	49	
Credit card 2—Olga	42	
Credit card 3—Olga	165	
Credit card 4—Olga	33	
Total outflows		$5,463
Net cash flow		$1,042

continued next page

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Notes to financial statements:

[1] $4,000/month salary = $48,000 per year.

[2] $2,500/month salary = $30,000 per year.

[3] Reinvested dividend income is not included.

[4] Vacations = two vacations totaling $4,500 per year; $4,500 ÷ 12 months = $375.

Fed tax liability calculated as follows:

Salaries	78,000
Interest	60
Less IRA	(8,000)
Less 401K	(2,400)
Equals AGI	67,660
Less Std. Ded.	(32,200)
Equals Tax. Inc	35,460
Tax	4,007
Less Child Credit	(2,200)
Less Care Credit	(600)
Equals Net Tax due	1,207
FICA Salaries	78,000
FICA Tax rate	7.65%
FICA Tax	5,967
Plus Inc. Tax	1,207
Equals	7,174
Divided by	12
Equals Monthly Cost	598

Statement of Financial Position

Derek and Olga Berger

As of December 31, 2026

ASSETS[1]		LIABILITIES[7] AND NET WORTH	
Cash/cash equivalents		**Current liabilities[8,9]**	
Checking[2]	$750	Credit card 1 (Derek)	$1,500
Savings[3]	1,000	Credit card 2 (Olga)	1,200
Certificate of deposit[4]	3,000	Credit card 3 (Olga)	4,800
Series EE savings bonds[5]	500	Credit card 4 (Olga)	950
Total cash/cash equivalents	$5,250	Gas credit card 1 (Derek)	200
		Total current liabilities	$8,650
Invested assets			
URS stock	$10,000	**Long-term liabilities**	
Stock portfolio[6]	22,000	Student loans	
Derek's Section 401(k) plan	3,840	Derek 1	$20,000
Derek's traditional IRA	4,200	Derek 2	15,000
Olga's traditional IRA	3,800	Olga 1	6.000
Total invested assets	$43,840	Total long-term liabilities	$41,000
Personal use assets			
Auto 1	$7,500		
Auto 2	4,500	**Total liabilities**	**$49,650**
Furniture	6,000		
Personal property	7,000	**Net worth**	**24,440**
Total personal use assets	$25,000		
Total assets	**$74,090**	**Total liabilities and net worth**	**$74,090**

Notes to financial statements:

[1] All assets are stated at fair market value.

[2] Checking is a non-interest-bearing account.

[3] Current annual interest rate is 0.5%. In 2026 the savings account paid $15 interest.

[4] Certificate of deposit maturing December 1, 2027. In 2026, the CD paid $45 of interest.

[5] Series EE savings bonds; five bonds with present value of $100 each; 2% annual interest, final maturity date of 2045.

[6] Stock portfolio in brokerage account managed by Derek.

[7] Liabilities are stated at principal only.

[8] All liability payments are as indicated on monthly cash flow statement.

[9] The average interest rate for all credit cards is 15% and for student loans is 10%.

INFORMATION REGARDING ASSETS AND LIABILITIES

Detailed Investment Portfolio

Derek's 401(k) Plan					
Description	**Shares**	**Price/Share**	**Total Value**	**2024 Return**	**2025 Return**
Growth Fund	93	$41.29	$3,840	13%	7%

Stock Portfolio						
Stock	**Date acquired**	**Cost basis**	**Fair market value as of 12/31/26**	**Beta**	**Current dividend**	**Dividend growth rate**
A	1/16/2025	$300	$2,800	1.3	$200	3.50%
B	3/18/2025	3,000	700	1.6	33	5.00%
C	6/20/2025	5,000	7,000	1.0	400	4.00%
D	7/20/2025	12,000	2,500	1.1	197	2.00%
E	7/20/2025	9,000	9,000	1.2	500	4.25%
Total		$29,300	$22,000	N/A	$1,330	N/A

Questions

1. Assuming the Bergers have no savings set aside for the acquisition of Derek's future business, how much should be saved at the end of each month, beginning this month, to be able to acquire Derek's business? Assume they will invest in a no-load S&P 500 Index fund and will pay taxes on any earnings out of their budget. They will reinvest all earnings in this account.

   A. $460.83
   B. $566.55
   C. $644.15
   D. $650.05

2. Which of the following insurance products would be most appropriate for Derek to purchase at this time?

   A. Tax-qualified, long-term-care policy with an inflation-adjusted benefit
   B. Deferred fixed annuity with life and 20-year term certain payout options
   C. Umbrella liability policy
   D. Long-term disability insurance policy

3. Which of the following statements regarding the contributions to Derek and Olga's traditional IRAs for 2026 is CORRECT?

   A. Derek is an active participant in a qualified plan.
   B. Olga's contribution is not deductible.
   C. Derek's contribution is nondeductible because he is covered by a qualified plan.
   D. Olga's contribution is partially deductible.

4. If Derek were to sell the URS stock today, what would be the current tax consequences to the Bergers?

   A. Long-term capital gain of $4,000
   B. Long-term capital gain of $6,400
   C. Short-term capital gain of $4,000
   D. Long-term capital gain of $8,000

5. Assume Derek had the following sale transactions in his stock trading account during 2026:

Sold stock	Date	Sales price, net of commissions
A	August 15	$2,750
B	August 15	$600
C	April 1	$8,000
D	April 1	$3,000
		$14,350 total proceeds

What are the net gains or losses from the above stock transactions during 2026?

A. Long-term capital loss of $2,400
B. Long-term capital gain of $2,450
C. Short-term capital loss of $5,950
D. Short-term capital loss of $9,000

6. If the stock market returns 11%, what is the expected return for Stock A using the capital asset pricing model (CAPM), based on today's value?

A. 9%
B. 12%
C. 14%
D. 17%

7. Assume that the Bergers originally purchased the stocks in their stock portfolio based on your recommendations and that they have retained you to monitor the performance of the portfolio. Their objective is to sell any stock that appears to be overvalued. Which stocks would you recommend they sell to meet their objective? (Assume the dividends for all the stocks are growing at a constant rate.)

A. Stocks A and E
B. Stocks B and C
C. Stocks A, D, and E
D. Stocks B, C, D, and E

8. If Derek's parents donate the down payment on the house ($30,000), which of the following statements is CORRECT?

A. The gift qualifies for the annual exclusion.
B. The parents, Leonard and Adriana, must file a gift tax return.
C. The parents are liable for a small amount of gift tax.
D. This donation is a taxable gift.

9. Assume Adriana and Leonard decide to make an interest-free loan for the house down payment to Olga and Derek instead of giving it to them. Which of the following statements regarding the tax consequences is CORRECT? (Assume the federal rate for imputed interest is 6%.)

   A. Adriana and Leonard have made a taxable gift of $1,800 to Derek and Olga.
   B. Olga and Derek must impute $1,800 of taxable income.
   C. Adriana and Leonard must impute $1,800 of taxable income.
   D. This loan has no adverse tax consequences to Olga and Derek.

10. Which of the following statements regarding Derek's options for his 401(k) plan is CORRECT, assuming he left his current job?

   A. Derek could have the distribution transferred directly from the 401(k) plan to an IRA account, but only 80% of the balance would transfer because the 20% withholding rule would apply.
   B. Derek could transfer the distribution to an IRA account but would receive only 60% of the employer contributions and earnings in his account because he is only partially vested.
   C. Derek could have the distribution rolled over (converted) directly into a Roth IRA account.
   D. Derek must transfer the distribution directly to a trustee for a traditional IRA and then have the trustee convert the traditional IRA to a Roth IRA.

11. Reviewing Derek's retirement accounts and assuming he terminated employment when the account balances are as stated after 5 years of employment, how much could Derek take with him, plan permitting?

   A. $3,072
   B. $3,456
   C. $3,540
   D. $3,840

12. Derek and Olga want to make sure that he is able to start his own business in 10 years and do not want to leave it to chance. Which of the following would not be considered during the initial meeting with the couple?

   A. Explaining the scope of the services you can offer Derek and Olga.
   B. Providing a detailed financial plan with a time line to Derek and Olga.
   C. Identifying and resolving apparent conflicts of interest you may have with Derek and Olga.
   D. Discussing the financial planning process with Derek and Olga.

13. After consulting with the Bergers, you recommend that they begin addressing their estate planning deficiencies. The Bergers accept your recommendation and ask you to put together a plan for achieving this objective. Which of the following would be appropriate steps to include in the couple's implementation plan?

    A. Have your paraplanner draft a durable power of attorney for health care for both Derek and Olga
    B. Designate Olga as beneficiary of Derek's 401(k) plan
    C. Begin an annual gifting program to take advantage of the annual exclusion afforded to Derek and Olga
    D. Gift the Series EE savings bonds to Ursula so she can take advantage of the tax benefits of these bonds when she redeems them for college

14. What is the best course of action for the Bergers regarding their debt situation?

    A. They should not adjust their debt situation in any way at this time because it would reduce their emergency fund (liquid assets).
    B. They should sell their stock portfolio and pay off Derek's $20,000 student loan.
    C. They should not liquidate their stock portfolio but should sell the URS stock and use the proceeds to pay off their credit card debt.
    D. They should liquidate all or a portion of their stock portfolio and use the proceeds to pay off the credit card debt.

15. Which of the following statements regarding deficiencies in the Bergers' current estate planning is false?

    A. They are subject to probate.
    B. Their handwritten wills are legally invalid.
    C. They have made no provision for guardianship of their child.
    D. They have made no provision for an advance medical directive.

USE THE FOLLOWING INFORMATION FOR QUESTIONS 16 THROUGH 21

While on a vacation in Montana, the Bergers experienced several unfortunate incidents.

- A deer collided with their car, causing $800 worth of damage to the front of the car.
- Soon after Derek rented a motorcycle, his wallet was stolen. He thought he had lost the wallet on the mountain during a fall, so he did not report the loss to his credit card companies until he returned home.
- Derek, not experienced in driving in the mountains, drove the motorcycle into another motorcycle on the road, causing damage to both motorcycles and to Derek. The driver of the other motorcycle, Oscar Applebaum, had minor medical injuries.
- Upon returning home, they discovered their apartment building had been destroyed by fire.

16. How much will the insurance company pay to have the front of the car repaired due to the collision with the deer?

    A. $250
    B. $300
    C. $550
    D. $800

17. When Derek and Olga received their credit card statements, they discovered that the thief charged the following amounts:

Credit card 1	$200
Credit card 2	$450
Credit card 3	$35
Credit card 4	$60

    The couple will be liable for how much of these charges?

    A. $50
    B. $185
    C. $200
    D. $745

18. The fire that destroyed the apartment building also destroyed all their personal property. Although the depreciated or actual cash value of all their property was $5,000, it would cost the Bergers about $37,000 to replace all the items. How much will the insurance company pay for this loss?

    A. $4,750
    B. $5,000
    C. $35,750
    D. $36,750

19. Derek's collision with the motorcycle caused $1,200 of damage to the motorcycle owned by Oscar Applebaum. Which of the following statements is CORRECT?

    A. The HO-4 will cover the entire loss if Derek is found to be responsible.
    B. The HO-4 will cover the $1,200 loss less the $250 deductible.
    C. The HO-4 will pay nothing because this situation is excluded under all homeowners policies.
    D. The HO-4 will pay nothing because this is property damage and the liability coverage extends only to bodily injury.

20. Oscar Applebaum, the motorcycle owner, suffered $200 in emergency medical expense to reset his broken arm caused by the incident. Which of the following statements is CORRECT?

    A. The liability section of the HO-4 will pay the full $200.
    B. The medical payments section of the HO-4 will pay the full $200.
    C. The automobile policy will pay these medical expenses.
    D. Neither the HO-4 nor the automobile policy will pay these medical expenses.

21. In the motorcycle accident, Derek suffered medical expenses of $1,450. Which of the following statements is CORRECT?

    A. The automobile policy will cover the expenses, but only up to $1,000.
    B. The HO-4 will cover these expenses.
    C. The major medical policy will cover 80% after the $250 deductible.
    D. The major medical policy will not cover this situation because the motorcycle is rented.

22. The Bergers would like to buy their new home in Oak Trace. Three years ago, the average cost of a new home in Oak Trace was $175,000. Two years ago, to the disappointment of many prospective homeowners, the average home cost rose to $225,000. Then, one year ago, the average cost of a new home fell to $200,000. The reaction to the decreased cost was positive, though the new average cost was higher than the average cost of a new home three years ago. This behavior is known as

    A. anchoring.
    B. money illusion.
    C. confirmation bias.
    D. mental accounting.