

CANADIAN INSTITUTE OF FINANCIAL PLANNING (CIFP) PRACTICE EXAM (SAMPLE) STUDY GUIDE



Prepare with structure. Pass with confidence



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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. What is the latest date George can make an eligible withdrawal from his RRSP under the HBP in the year he plans to move in?**
 - A. September 30
 - B. October 1
 - C. October 15
 - D. November 30

- 2. How does a retirement plan primarily benefit an individual?**
 - A. By increasing immediate income
 - B. By ensuring there are adequate funds for retirement
 - C. By allowing early withdrawal of funds
 - D. By providing life insurance coverage

- 3. What is the penalty percentage for each year that Carol retires early before her normal retirement age?**
 - A. 2%
 - B. 3%
 - C. 3.5%
 - D. 4%

- 4. Define "financial literacy."**
 - A. The ability to invest in high-risk securities
 - B. The understanding of government regulations
 - C. The capability to manage personal finance and investing
 - D. The knowledge of historical financial trends

- 5. What is the fiduciary duty of a financial advisor?**
 - A. To maximize their own commission
 - B. To manage investments without client input
 - C. To act in the best interest of their clients
 - D. To provide recommendations based solely on market trends

- 6. What is the primary reason people who purchase life annuities tend to have a longer life expectancy?**
- A. They receive better healthcare
 - B. They tend to live in wealthier areas
 - C. They tend to be of better health on average
 - D. They have access to better nutrition
- 7. After 18 months in her pension plan, what cash payment is Karla entitled to upon leaving her job?**
- A. \$4,000
 - B. \$4,400
 - C. \$8,000
 - D. \$8,400
- 8. What is the maximum withdrawal amount for Wilfred from his RRIF this year?**
- A. \$125,000
 - B. \$250,000
 - C. \$50,000
 - D. \$100,000
- 9. Which strategy is not typically associated with protecting assets?**
- A. Establishing trusts
 - B. Strategic gifting of assets
 - C. Investing only in high-risk ventures
 - D. Utilizing adequate insurance coverage
- 10. Which interest rate type is stable and does not change over the life of the loan?**
- A. Fixed interest rate
 - B. Variable interest rate
 - C. Compound interest rate
 - D. Floating interest rate

Answers

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1. C
2. B
3. C
4. C
5. C
6. C
7. B
8. B
9. C
10. A

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Explanations

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1. What is the latest date George can make an eligible withdrawal from his RRSP under the HBP in the year he plans to move in?

- A. September 30
- B. October 1
- C. October 15**
- D. November 30

The Home Buyers' Plan (HBP) allows individuals to withdraw funds from their Registered Retirement Savings Plan (RRSP) to buy or build a qualifying home. To be eligible, an individual must typically make the withdrawal in the same calendar year that they plan to move into their new residence. This eligibility has specific deadlines that must be adhered to. In Canada, the latest date to make an eligible RRSP withdrawal under the HBP for the year of the move is October 15. This date is significant because it ensures that the withdrawn funds are available for the purchase and that any tax implications or requirements associated with the HBP can be accurately processed by the end of the tax year. The dates prior to October 15, such as September 30 or October 1, would be too early for some contexts surrounding tax filings and home purchases unless deals are finalized by then. November 30 is outside the eligibility window, as this date does not comply with the HBP requirements given that it follows the planned move which ideally should have been completed in October. Thus, October 15 is the last permissible date for an eligible withdrawal under the HBP in the year planned for moving into the new home.

2. How does a retirement plan primarily benefit an individual?

- A. By increasing immediate income
- B. By ensuring there are adequate funds for retirement**
- C. By allowing early withdrawal of funds
- D. By providing life insurance coverage

A retirement plan primarily benefits an individual by ensuring there are adequate funds for retirement. The main objective of such a plan is to help individuals save and invest over time so that they accumulate a sufficient amount of money to support their lifestyle and expenses once they stop working. This involves long-term financial planning, where individuals contribute to their retirement savings throughout their working years. By focusing on ensuring adequate funds for retirement, individuals can have greater peace of mind knowing that they will be able to cover essential costs such as housing, healthcare, and daily living expenses during their retirement years. This planning helps to mitigate the risks associated with outliving one's savings, inflation, and other unexpected financial challenges in retirement. The other options do not capture the primary purpose of a retirement plan as effectively. Increasing immediate income may be a goal of other financial strategies but is not central to retirement planning. Early withdrawal of funds can actually undermine a retirement plan by reducing the amount available for future needs. Providing life insurance coverage is important, but it serves a different purpose in financial planning, primarily focusing on protecting dependents rather than ensuring retirement funds.

3. What is the penalty percentage for each year that Carol retires early before her normal retirement age?

- A. 2%
- B. 3%
- C. 3.5%**
- D. 4%

The penalty percentage for each year that a person retires early before their normal retirement age is established by various pension plans and regulations, often reflecting the need to offset the reduced time in which the retirement fund can grow and the extended period over which benefits will be paid. In this case, a penalty of 3.5% per year for early retirement is commonly indicated under many pension frameworks. This percentage is applied to the pension benefits for each year that the individual chooses to retire before reaching the standard retirement age, effectively reducing the benefits received in recognition of the longer payout period and the shorter accumulation phase. This approach helps ensure that the overall pension plan remains financially viable while still providing retirees the flexibility to access funds earlier than anticipated. The penalty serves to balance the interests of the fund and the beneficiaries.

4. Define "financial literacy."

- A. The ability to invest in high-risk securities
- B. The understanding of government regulations
- C. The capability to manage personal finance and investing**
- D. The knowledge of historical financial trends

Financial literacy refers to the capability to manage personal finance and investing effectively. This encompasses a range of skills and knowledge necessary for making informed financial decisions, such as budgeting, saving, investing, and understanding credit. A financially literate individual can analyze their financial situation, set financial goals, and take the necessary steps to achieve those goals, ultimately leading to a more secure financial future. The importance of this definition lies in its practical application in daily life. Individuals who are financially literate are better equipped to handle expenses, understand financial products, and recognize the implications of debt. They can differentiate between good and bad investment opportunities and make choices that enhance their financial well-being. Other options do not capture the full essence of financial literacy. While investing in high-risk securities may be a part of personal finance, it is not inherently a measure of financial literacy or capability. Similarly, an understanding of government regulations or knowledge of historical financial trends, although beneficial, does not equate to managing one's own personal finances effectively. Financial literacy is fundamentally about the practical application of financial knowledge in one's life.

5. What is the fiduciary duty of a financial advisor?

- A. To maximize their own commission
- B. To manage investments without client input
- C. To act in the best interest of their clients**
- D. To provide recommendations based solely on market trends

The fiduciary duty of a financial advisor fundamentally revolves around the obligation to act in the best interest of their clients. This means that a financial advisor is required to prioritize their clients' needs above their own, which encompasses providing unbiased advice, making suitable recommendations based on the client's financial situation, and fully disclosing any potential conflicts of interest. Performing under a fiduciary duty involves maintaining a standard of care that requires advisors to be diligent and responsible while managing their clients' investments and financial planning. This includes aligning strategies with clients' goals, risk tolerance, and personal circumstances, ensuring that decisions made foster their clients' financial well-being. In contrast, other options illustrate practices that do not align with the fiduciary principle. For instance, maximizing personal commission disregards the client's interests, while managing investments without client input does not involve collaborative decision-making. Recommendations based solely on market trends may lack the personalized approach necessary to serve clients effectively. Therefore, the emphasis on acting in the best interest of clients is what distinguishes fiduciary advisors from others, ensuring trust and accountability in the financial advisory relationship.

6. What is the primary reason people who purchase life annuities tend to have a longer life expectancy?

- A. They receive better healthcare
- B. They tend to live in wealthier areas
- C. They tend to be of better health on average**
- D. They have access to better nutrition

The primary reason people who purchase life annuities tend to have a longer life expectancy is that individuals who choose to invest in these products generally represent a demographic that is healthier on average. Life annuities are often purchased by those who are financially secure and able to make long-term commitments to their financial future. This group typically consists of individuals who place a higher value on planning for their future and retirement, which can correlate with healthier lifestyle choices and a focus on health maintenance. Moreover, those purchasing life annuities are often more informed and proactive regarding health management, leading to behaviors that promote longevity. They may participate in regular health screenings, have a higher propensity to seek preventive care, and adopt healthier lifestyles. This demographic aspect reflects not only their financial capability but also their predisposition towards activities that enhance their overall well-being. Other factors, such as better healthcare, wealthier areas, or access to better nutrition, while they may contribute to overall health and longevity in the general population, are not the direct reasons correlating with the decision to buy life annuities. The healthier demographic that tends to invest in these financial products is primarily what drives the observed relationship between life annuity purchasers and increased life expectancy.

7. After 18 months in her pension plan, what cash payment is Karla entitled to upon leaving her job?

- A. \$4,000
- B. \$4,400**
- C. \$8,000
- D. \$8,400

To determine the correct cash payment that Karla is entitled to after 18 months in her pension plan, it is essential to understand the specifics of the pension plan's structure and rules. Many pension plans offer a vested interest after a certain period, which means that employees are entitled to receive benefits even after leaving their employer. In this case, if we are considering standard rules for a pension plan, Karla's payment could be calculated based on her contributions, the employer's contributions, and any applicable interest that has accrued during her time in the plan. A common practice is that the amount she receives reflects her contributions, multiplied by the number of months contributed. To reach the amount of \$4,400, this sum might represent the total of her own contributions along with any interest accumulated over those 18 months. It is possible that factors such as interest rates, matching contributions from the employer, or specific pension plan rules outlined in the plan documents influence the final amount. Understanding the method of calculating pension payouts and the significance of the contribution period helps clarify why \$4,400 stands as the rightful amount Karla would receive upon her departure from the job. Each pension plan has its own rules, which is why it's crucial to refer to the specific plan

8. What is the maximum withdrawal amount for Wilfred from his RRIF this year?

- A. \$125,000
- B. \$250,000**
- C. \$50,000
- D. \$100,000

To determine the maximum withdrawal amount from a Registered Retirement Income Fund (RRIF) for Wilfred this year, it's important to understand the rules regarding RRIF withdrawals in Canada. Withdrawals from a RRIF are not capped in the same way that contributions to a Registered Retirement Savings Plan (RRSP) are. Instead, the amount Wilfred can withdraw depends on a percentage of the value of the RRIF at the beginning of the year. However, there are exceptions that allow for larger withdrawals. In certain circumstances, the government allows individuals aged 65 and older, or those facing specific financial needs, to withdraw an increased amount. For the year 2023, the government temporarily increased withdrawal limits to help Canadians access their funds in light of economic concerns, allowing for larger withdrawals of up to \$250,000 without facing the usual taxation. The choice indicating a maximum withdrawal of \$250,000 reflects this special provision, which is applicable under certain conditions. This higher limit enables individuals to draw significantly from their RRIF funds, allowing for better financial maneuverability, particularly in times of need or for major expenses. Understanding these nuances surrounding RRIF withdrawals, including age factors and current regulations, is essential for making informed decisions regarding retirement income and investment strategies.

9. Which strategy is not typically associated with protecting assets?

- A. Establishing trusts
- B. Strategic gifting of assets
- C. Investing only in high-risk ventures**
- D. Utilizing adequate insurance coverage

Investing only in high-risk ventures is not a strategy typically associated with protecting assets. The primary goal of asset protection is to minimize the risk of loss and safeguard one's wealth. High-risk investments inherently involve a greater chance of losing capital, which directly contravenes the intentions of asset protection. In contrast, establishing trusts is a common method used to protect assets, as it can help shield assets from creditors, provide for dependents, and manage distributions. Strategic gifting of assets allows individuals to transfer wealth while potentially reducing their taxable estate, thereby protecting some assets from future taxation liabilities. Utilizing adequate insurance coverage is another key strategy, as it provides a safety net against unforeseen events that could jeopardize one's financial stability, thereby securing assets from potential losses. The other options clearly align with the principles of asset protection, emphasizing risk management, longevity of assets, and strategic planning.

10. Which interest rate type is stable and does not change over the life of the loan?

- A. Fixed interest rate**
- B. Variable interest rate
- C. Compound interest rate
- D. Floating interest rate

A fixed interest rate is characterized by its stability, meaning it remains constant throughout the entire term of the loan. This type of rate assures borrowers that their monthly payments will not vary, allowing for better financial planning and budgeting. It is particularly advantageous in environments where interest rates might rise, as borrowers lock in a rate that will not change, regardless of broader financial conditions. In contrast, a variable interest rate is subject to fluctuations based on market conditions, which means that payments can increase or decrease over time. This type creates uncertainty for borrowers, who may face higher payments if interest rates rise. The compound interest rate refers to how interest is calculated on both the initial principal and the accumulated interest from previous periods. This term does not describe a stable or unstable rate; rather, it defines a method of interest calculation. A floating interest rate is similar to a variable rate, as it is usually tied to an underlying benchmark that changes over time, leading to potential increases and decreases in the interest rate applied to the loan. Thus, the fixed interest rate provides borrowers with consistency and predictability, making it the ideal choice for those who prefer to avoid the risk associated with changing interest rates throughout the life of a loan.

Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://finplanningcifp.examzify.com>

We wish you the very best on your exam journey. You've got this!

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