CANNON CERTIFIED TRUST AND FIDUCIARY ADVISOR (CTFA) PRACTICE TEST (SAMPLE)

STUDY GUIDE

SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE

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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.

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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!

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Questions

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1. Which statement describes a Charitable Remainder Unitrust payout?

A. It pays a fixed dollar amount each year

B. It pays a percentage of the trust's annual fair market value

C. It is always a lifetime payout to a single beneficiary

D. It cannot be changed once established

2. In portfolio analysis, the alpha coefficient is best described as:

A. The relative sensitivity of a stock's return to the market's return.

B. Unexpected portion of the actual return.

C. An estimate of the range (plus or minus) around the expected rate of return in which the actual rate of return will tend to fall.

D. A measure of issue-specific risk related to the number of dissimilar issues held.

3. Which type of municipal bond is backed by the full faith and credit of the issuing municipality?

A. Revenue bond

B. Mortgage bond

C. General obligation

D. Debenture

4. Bonds maturing in a sequence of years are called:

A. Balloon bonds

B. Serial bonds

C. Series bonds

D. Convertible bonds

5. Which statement about a QTIP trust is false?

A. An executor has the ability to elect, partially elect, or not elect to qualify for QTIP treatment any part of the marital trust property.

B. The spouse-beneficiary need not have the ability to control the ultimate disposition of the trust property.

C. The grantor-spouse's GST exemption cannot be allocated to trust property.

D. To have a valid QTIP interest, the spouse must be entitled to all of the net income from the trust property.

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6. Which of the following is NOT a characteristic of a qualified domestic trust (QDT)?

A. At least one trustee must be a U.S. citizen or domestic corporation.

B. The executor of the donor's estate must irrevocably elect to have the trust treated at a QDT.

C. The U.S. trustee must have the right to withhold federal estate taxes from any distribution.

D. Upon termination of the trust, the U.S. trustee must file a final accounting with the IRS and a tax of 55% of the current fair market value of the trust assets shall be assessed.

7. From decedent death on September 18, the year's income was $85,000, of which $60,000 had been earned and received as of Sept 18. How much income should be reported on the decedent's estate's initial income tax return?

A. $60,000

B. $25,000

C. It depends on the fiscal year chosen for her estate

D. $85,000

8. A value manager's portfolio would be expected to...

A. Have a PE ratio higher than the market

B. Sell at a premium to the S&P

C. Have a Beta equal to the market or less

D. Have a yield lower than the market

9. In a qualified domestic trust, at least one trustee must be a U.S. citizen or domestic corporation.

A. At least one trustee must be a U.S. citizen or domestic corporation.

B. The executor must irrevocably elect to treat the trust as QDT.

C. The U.S. trustee may not withhold taxes from distributions.

D. Termination of the trust triggers no tax.

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10. A decedent passed away on September 18. Her income for the full year in which she died was $85,000, of which $60,000 had been earned and received as of September 18. How much income should be reported on the decedent's estate's initial 1041 income tax return?

A. $25,000

B. $60,000

C. $85,000

D. it depends on the fiscal year chosen for her estate

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Answers

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

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Explanations

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1. Which statement describes a Charitable Remainder Unitrust payout?

A. It pays a fixed dollar amount each year

B. It pays a percentage of the trust's annual fair market value

C. It is always a lifetime payout to a single beneficiary

D. It cannot be changed once established

The key idea is how a Charitable Remainder Unitrust determines its annual payout. A unitrust pays a fixed percentage of the trust's annual fair market value to the income beneficiaries, and that value is recalculated each year. So the actual dollar amount received can go up or down depending on how the trust's assets perform, while the percentage itself stays the same. The remaining value of the trust eventually passes to charity. This is what makes the unitrust description correct: you're not getting a set dollar amount each year; you're receiving a percentage of the trust's value each year, with the remainder to the charity. For contrast, a fixed dollar payout describes a Charitable Remainder Annuity Trust, where the payment is constant each year regardless of how the trust's value changes. And the payout isn't limited to a lifetime to one person; a unitrust can be set up for a life or for a term of years and can involve one or more beneficiaries, with the amount changing as the trust's value changes. The idea that the payout cannot be changed is not accurate because the actual cash received will vary with the trust's annual value.

2. In portfolio analysis, the alpha coefficient is best described as:

A. The relative sensitivity of a stock's return to the market's return.

B. Unexpected portion of the actual return.

C. An estimate of the range (plus or minus) around the expected rate of return in which the actual rate of return will tend to fall.

D. A measure of issue-specific risk related to the number of dissimilar issues held.

Alpha reflects the portion of a portfolio's return that cannot be explained by its exposure to the market. In CAPM terms, it's the intercept from the regression of excess returns on the market excess return, capturing the abnormal or unexpected return beyond what the market movement would predict given the portfolio's beta. A positive alpha indicates outperformance relative to the risk-adjusted benchmark, while a negative alpha indicates underperformance. This makes alpha the best description of the "unexpected portion of the actual return." The other ideas describe different concepts: the sensitivity to the market is beta, not alpha; the range around the expected return relates to volatility or dispersion (not alpha); and risk from dissimilar issues held refers to diversification or unsystematic risk (also not alpha).

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3. Which type of municipal bond is backed by the full faith and credit of the issuing municipality?

A. Revenue bond

B. Mortgage bond

C. General obligation

D. Debenture

When evaluating municipal bonds, the key factor is what backing the issuer provides for debt service. A general obligation bond is backed by the issuer's full faith and credit, meaning the municipality pledges its taxing power and other available funds to pay interest and principal. This makes it a tax-supported obligation and generally considered safer because repayment isn't limited to a specific project's revenues. In contrast, revenue bonds are repaid from a dedicated stream of income—such as tolls, charges, or utility revenues—so they don't rely on tax revenue or the issuer's broader taxing power. Mortgage bonds are secured by a mortgage on real property, tying repayment to asset value rather than the issuer's ability to tax. Debentures are unsecured and rely on the issuer's credit without specific assets backing the debt. Therefore, the bond backed by the full faith and credit of the municipality is the general obligation bond.

4. Bonds maturing in a sequence of years are called:

A. Balloon bonds

B. Serial bonds

C. Series bonds

D. Convertible bonds

The concept being tested is how a bond issue is structured to repay principal over time. When bonds are designed to mature in a sequence of different years, the principal is paid back in installments each year rather than all at once. This gradual redemption creates a sinking-fee style schedule that aligns debt repayment with the life of the project or asset being financed. This is what makes serial bonds the best description: the issue consists of multiple maturities within one bond issue, so portions of the principal mature in successive years. In contrast, balloon bonds require a single large repayment at the end, and convertible bonds are defined by their option to convert into equity. The term series bonds can be used in some contexts, but serial bonds specifically emphasize the stepped repayment schedule over several years.

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5. Which statement about a QTIP trust is false?

A. An executor has the ability to elect, partially elect, or not elect to qualify for QTIP treatment any part of the marital trust property.

B. The spouse-beneficiary need not have the ability to control the ultimate disposition of the trust property.

C. The grantor-spouse's GST exemption cannot be allocated to trust property.

D. To have a valid QTIP interest, the spouse must be entitled to all of the net income from the trust property.

The concept here is how a QTIP (qualified terminable interest property) trust works in blended estate and gift tax planning. A QTIP trust lets the first spouse's assets qualify for the marital deduction while preserving control over who ultimately benefits after the surviving spouse dies. The surviving spouse must receive all the net income from the trust for life (or for a term) and the remainder can be limited to other beneficiaries as defined by the grantor or trustee. This means the surviving spouse doesn't have free rein to determine the ultimate disposition of the trust property; the trust terms still govern who will receive the assets after the spouse's death. The statement that is false concerns the allocation of generation-skipping transfer (GST) tax exemption. In reality, the grantor-spouse's GST exemption can be allocated to trust property, including QTIP property, to shield future transfers to skip persons (like grandchildren) from GST tax. This allocation is a planning tool available under the GST exemption rules, and it's not correct to say it cannot be allocated to QTIP trust property. So, the other statements align with how QTIP trusts operate: the executor can elect to treat all or part of the marital trust as QTIP, the spouse-beneficiary does not need to control the ultimate disposition, and the spouse must be entitled to all the net income for the QTIP to be valid.

6. Which of the following is NOT a characteristic of a qualified domestic trust (QDT)?

A. At least one trustee must be a U.S. citizen or domestic corporation.

B. The executor of the donor's estate must irrevocably elect to have the trust treated at a QDT.

C. The U.S. trustee must have the right to withhold federal estate taxes from any distribution.

D. Upon termination of the trust, the U.S. trustee must file a final accounting with the IRS and a tax of 55% of the current fair market value of the trust assets shall be assessed.

Qualified Domestic Trusts are built to let a noncitizen spouse still qualify for the unlimited marital deduction, but only if specific rules are met. Three key requirements you'd expect are: at least one trustee must be a U.S. citizen or domestic corporation; the executor of the donor's estate must irrevocably elect QDT treatment on the estate tax return; and the U.S. trustee must have the authority to withhold federal estate taxes from distributions to the noncitizen spouse to ensure any tax due is paid. The statement about termination requiring the U.S. trustee to file a final accounting with the IRS and a flat 55% tax on the trust's current value is not correct. There isn't a 55% termination tax in QDT rules; any taxes owed would follow normal trust/tax procedures, and the top estate tax rate is 40% if applicable.

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7. From decedent death on September 18, the year's income was $85,000, of which $60,000 had been earned and received as of Sept 18. How much income should be reported on the decedent's estate's initial income tax return?

A. $60,000

B. $25,000

C. It depends on the fiscal year chosen for her estate

D. $85,000

The key idea is that an estate reports income for its own tax year on Form 1041, and the amount depends on the estate's chosen tax year (calendar year or a fiscal year). In this scenario, the $60,000 earned and received by the date of death is generally taxed on the decedent's final individual return, not on the estate's return. The remaining $25,000 would be income in respect of a decedent (IRD) and would be included in the estate's income, but only to the extent it is actually received during the estate's tax year. Because the estate can elect either a calendar-year or a fiscal-year tax year, and the initial return will reflect income actually received during that chosen year, you cannot determine a single dollar amount from the information given. It depends on the fiscal year (or calendar year, if that's the default) the estate uses.

8. A value manager's portfolio would be expected to...

A. Have a PE ratio higher than the market

B. Sell at a premium to the S&P

C. Have a Beta equal to the market or less

D. Have a yield lower than the market

Value investing focuses on buying stocks priced well below their intrinsic worth, often mature companies with stable cash flows. Because these holdings tend to be less volatile and less driven by rapid growth swings, their movements don't amplify market moves as much as more speculative stocks. That leads to a beta around 1 or lower, meaning the portfolio's systematic risk is about the market level or below. So, a value manager's portfolio would be expected to have a beta equal to the market or less. The other ideas don't align as consistently with value characteristics. P/E multiples for value stocks are typically not high relative to the market; they're often lower, reflecting the discount to fundamentals. Selling at a premium to the S&P implies overvaluation, which isn't the goal of value investing. Dividend yield can vary, but there isn't a rule that a value portfolio must have a yield lower than the market.

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9. In a qualified domestic trust, at least one trustee must be a U.S. citizen or domestic corporation.

A. At least one trustee must be a U.S. citizen or domestic corporation.

B. The executor must irrevocably elect to treat the trust as QDT.

C. The U.S. trustee may not withhold taxes from distributions.

D. Termination of the trust triggers no tax.

The essential idea is that a qualified domestic trust is designed to allow a noncitizen spouse to receive the favorable estate-tax treatment known as the unlimited marital deduction. To qualify for that treatment, the trust must have at least one trustee who is a U.S. citizen or a domestic corporation. This requirement ensures that the trust is under U.S. control for tax purposes, which is why the assets can pass to the noncitizen spouse with the eligible marital deduction. So the statement that at least one trustee must be a U.S. citizen or domestic corporation is the defining condition for a trust to be treated as a qualified domestic trust. The other statements describe related aspects (such as elections or tax withholding) but do not establish the core criterion that makes a trust qualify as QDT. For example, while an irrevocable election to treat the trust as QDT can be part of the process on the estate tax return, the existence of the U.S. trustee is the fundamental requirement. Termination and withholding questions involve tax mechanics but are not the defining qualification criterion.

10. A decedent passed away on September 18. Her income for the full year in which she died was $85,000, of which $60,000 had been earned and received as of September 18. How much income should be reported on the decedent's estate's initial 1041 income tax return?

A. $25,000

B. $60,000

C. $85,000

D. it depends on the fiscal year chosen for her estate

The key idea is that an estate's Form 1041 reports the income that the estate actually earns or receives during the estate's own tax year, not merely the total income for the calendar year in which the decedent died. The initial return is a short-period (or short-year) return covering from the date of death to the end of the estate's chosen tax year. The estate can select a fiscal year end different from December 31, so the amount of income shown on the initial 1041 depends on when the estate's tax year ends. In this scenario, $85,000 is the decedent's full-year income, with $60,000 earned and received by the date of death. The portion that could be reported on the estate's initial 1041 is the income the estate actually receives during its own tax year, which is determined by the end date chosen for the estate's fiscal year. If the estate ends its tax year on December 31, the initial return would cover Sep 18–Dec 31 (and the amount reported would depend on estate receipts in that period). If the estate chooses a different year-end, the period—and thus the amount—would differ. Therefore, the exact amount cannot be determined without knowing the estate's fiscal year, making the correct choice that it depends on the fiscal year chosen for the estate.

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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://cannonctfa.examzify.com

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

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