

Certified Divorce Financial Analyst (CDFA) Certification Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

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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. Which chapter of bankruptcy involves liquidation of assets?**
 - A. Chapter 11**
 - B. Chapter 7**
 - C. Chapter 12**
 - D. Chapter 13**

- 2. What are the potential consequences of hiding assets during a divorce?**
 - A. Increased trust between spouses**
 - B. Legal penalties, loss of trust, and potentially unfavorable settlement terms**
 - C. More favorable settlement terms for the hiding spouse**
 - D. Reduced legal fees**

- 3. How can a CDFA assist clients in tax planning during divorce?**
 - A. By recommending arbitrary tax payments**
 - B. By providing strategies to minimize tax liabilities**
 - C. By handling all legal paperwork**
 - D. By suggesting tax evasion techniques**

- 4. Which of the following tax carryforwards affects the basis of an asset upon transfer in a divorce?**
 - A. Capital gains loss**
 - B. Passive activity loss**
 - C. Ordinary income loss**
 - D. Net operating loss**

- 5. What does the reserved jurisdiction method entail regarding pension distribution?**
 - A. The court has no action on distribution**
 - B. The court retains authority to order future distributions**
 - C. Payments must be made immediately**
 - D. All pension funds are split evenly**

- 6. Who must approve a qualified domestic relations order (QDRO)?**
- A. The court and both parties involved**
 - B. The qualified plan administrator**
 - C. The divorce attorney for both parties**
 - D. The financial advisor overseeing the retirement plan**
- 7. What acronym is used to remember the states that are community property states?**
- A. TROPIC LAW**
 - B. TWIN CAN LAW**
 - C. WISCONSIN ACT**
 - D. CANDY LAND**
- 8. Which of the following is a common mistake divorcing couples make?**
- A. Failing to consider the tax consequences of an early withdrawal from a retirement account.**
 - B. Dividing a joint checking account to obtain an equitable distribution of assets.**
 - C. Using the cost basis to determine taxes on the sale of the property.**
 - D. Failing to consider the taxes due on child support payments.**
- 9. Which of the following is NOT one of the methods to divide a pension?**
- A. Deferred division method**
 - B. Present value method**
 - C. Reserved jurisdiction method**
 - D. Immediate cash payment method**
- 10. Can an attorney testify on behalf of their clients in a divorce proceeding?**
- A. Yes, if they have significant financial expertise**
 - B. No, attorneys cannot testify on behalf of clients**
 - C. Yes, unless they have a conflict of interest**
 - D. No, but they can provide related documentation**

Answers

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

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Explanations

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1. Which chapter of bankruptcy involves liquidation of assets?

- A. Chapter 11
- B. Chapter 7**
- C. Chapter 12
- D. Chapter 13

Chapter 7 bankruptcy is specifically designed for liquidation of assets. In this process, a debtor's non-exempt assets are sold off to repay creditors. The goal of Chapter 7 is to eliminate most unsecured debts, providing the debtor with a fresh start financially. During the Chapter 7 bankruptcy process, a court-appointed trustee evaluates the debtor's assets, determines what can be sold, and oversees the sale of those assets to ensure the proceeds go to settling debts. Certain assets may be exempt from liquidation depending on state and federal laws, allowing individuals a chance to retain essential property. In contrast, other chapters like Chapter 11, Chapter 12, and Chapter 13 involve different strategies mainly focused on reorganization, repayment plans, or restructuring debts, rather than directly liquidating assets. For instance, Chapter 11 allows for reorganization of debts while keeping control of assets, and Chapter 13 establishes a repayment plan over several years without liquidation. This distinction is crucial for understanding the purposes and processes of different bankruptcy filings.

2. What are the potential consequences of hiding assets during a divorce?

- A. Increased trust between spouses
- B. Legal penalties, loss of trust, and potentially unfavorable settlement terms**
- C. More favorable settlement terms for the hiding spouse
- D. Reduced legal fees

Hiding assets during a divorce can lead to significant legal and financial repercussions. When a spouse conceals assets, they breach their legal duty to fully disclose all relevant financial information, which can lead to a variety of consequences. Legal penalties are a primary concern; divorcing parties are typically required to provide a comprehensive account of their financial situation, and failing to do so can result in court sanctions. These penalties may include fines or a ruling that the hiding spouse forfeits their right to a claim on the undisclosed assets. Additionally, hiding assets can damage trust between parties, which can complicate negotiations and make it more difficult to reach an amicable resolution. Trust is crucial during divorce proceedings, and any appearance of dishonesty can taint the entire process. Courts often look unfavorably on such behavior, which can influence settlement terms to the detriment of the hiding spouse. Ultimately, hiding assets does not lead to more favorable settlement terms; rather, it often results in the opposite outcome, wherein the spouse may face a less favorable judgment as a consequence of their dishonesty. The legal fees associated with litigation can also increase, as further discovery or investigations may be necessary to uncover the hidden assets. Thus, the decision to hide assets usually leads to a

3. How can a CDFA assist clients in tax planning during divorce?

- A. By recommending arbitrary tax payments
- B. By providing strategies to minimize tax liabilities**
- C. By handling all legal paperwork
- D. By suggesting tax evasion techniques

A CDFA can assist clients in tax planning during divorce by providing strategies to minimize tax liabilities. This involves analyzing the financial implications of various divorce settlements, such as the division of assets and liabilities, alimony, and child support. The CDFA can help clients understand the tax consequences of receiving or paying alimony, how property division could impact capital gains taxes, and the potential benefits of filing taxes as single or head of household post-divorce. By utilizing tax-efficient strategies, such as considering the timing of asset transfers or how to handle retirement accounts, a CDFA can help clients make informed decisions that reduce their overall tax burden both during and after the divorce process. This guidance is essential for ensuring that clients are not unduly impacted financially due to unexpected tax liabilities resulting from their divorce settlement. The other options do not reflect the role of a CDFA in a constructive manner. Arbitrary tax payments do not align with strategic financial planning. Handling legal paperwork is outside the scope of a CDFA's role, which focuses more on financial assessment than legal documentation. Lastly, suggesting tax evasion would not only be unethical but also illegal, further highlighting the importance of providing strategies that are legitimate and effective in minimizing taxes.

4. Which of the following tax carryforwards affects the basis of an asset upon transfer in a divorce?

- A. Capital gains loss
- B. Passive activity loss**
- C. Ordinary income loss
- D. Net operating loss

The correct choice concerning tax carryforwards that affect the basis of an asset upon transfer in a divorce is passive activity loss. This type of loss arises when a taxpayer's investment in a business or rental property generates losses that exceed the income produced by those activities. In the context of divorce settlements, when assets are transferred between spouses, the tax attributes associated with those assets can impact the adjusted basis. Passive activity losses are important because they have specific rules regarding how they can be utilized and may carry over to future tax years. When an asset that has passive losses is transferred, the receiving spouse can potentially use those losses against their passive income, thus influencing the overall tax implications and adjusted basis of the asset acquired. For other carryforwards listed, while they might affect an overall tax strategy, they do not directly adjust the basis of assets transferred in a divorce. Capital gains loss, ordinary income loss, and net operating losses typically relate to tax liabilities for the individual but do not have the same relevance in altering the basis of assets during a divorce asset division.

5. What does the reserved jurisdiction method entail regarding pension distribution?

- A. The court has no action on distribution**
- B. The court retains authority to order future distributions**
- C. Payments must be made immediately**
- D. All pension funds are split evenly**

The reserved jurisdiction method regarding pension distribution allows the court to retain the authority to order future distributions of pension benefits. This is particularly relevant in divorce cases where the pension may not yet be fully matured or when the exact value of the benefits is uncertain at the time of the divorce proceeding. By choosing this method, the court can establish the right to adjust the distribution based on subsequent events, such as the actual retirement of the spouse or changes in the pension value. This ensures that the non-employee spouse can still receive a fair share of their partner's pension benefits when they become due, even if the divorce is finalized before the pension is accessible. In contrast, options that suggest no court action, immediate payments, or even splits do not accurately reflect the nuances of how pension distributions may be handled in a manner that accommodates future circumstances. The reserved jurisdiction method recognizes the complexities of retirement benefits and the potential need for future adjustments, thereby promoting equitable distribution in divorce settlements.

6. Who must approve a qualified domestic relations order (QDRO)?

- A. The court and both parties involved**
- B. The qualified plan administrator**
- C. The divorce attorney for both parties**
- D. The financial advisor overseeing the retirement plan**

The correct answer is that the qualified plan administrator must approve a qualified domestic relations order (QDRO). A QDRO is a legal order that recognizes the right of an alternate payee, such as a spouse or former spouse, to receive a portion of retirement benefits from a qualified plan. In order for a QDRO to be valid and enforceable, it must not only be approved by the court as part of the divorce proceedings, but it also requires the approval of the plan administrator. The plan administrator reviews the order to ensure that it complies with the specific requirements set forth in the plan document and federal law. This approval is critical because it allows the distribution of retirement benefits in accordance with the terms of the QDRO. While the involvement of the court and both parties can be vital in the initial drafting and agreement of the QDRO, it is the plan administrator who ultimately validates the order's compliance with the plan's rules and ensures that the benefits are properly allocated. Thus, the critical step in the QDRO process hinges on the plan administrator's approval.

7. What acronym is used to remember the states that are community property states?

- A. TROPIC LAW**
- B. TWIN CAN LAW**
- C. WISCONSIN ACT**
- D. CANDY LAND**

The acronym "TWIN CAN LAW" is a useful mnemonic for remembering the community property states in the United States. The letters in this acronym correspond to the states that follow the community property system, including Texas, Washington, Idaho, Nevada, California, Arizona, New Mexico, Louisiana, and Wisconsin. Community property states generally treat property gained during the marriage as jointly owned by both spouses, which affects how assets are divided during divorce proceedings. Knowing these states is crucial for a Certified Divorce Financial Analyst, as it impacts financial planning and decision-making within divorce settlements. On the contrary, other options do not effectively represent all the community property states, making them less useful as memorization tools compared to "TWIN CAN LAW." Understanding such acronyms can aid practitioners in recalling important information efficiently in a context that is crucial for fair financial settlements in divorce situations.

8. Which of the following is a common mistake divorcing couples make?

- A. Failing to consider the tax consequences of an early withdrawal from a retirement account.**
- B. Dividing a joint checking account to obtain an equitable distribution of assets.**
- C. Using the cost basis to determine taxes on the sale of the property.**
- D. Failing to consider the taxes due on child support payments.**

Failing to consider the tax consequences of an early withdrawal from a retirement account is indeed a common mistake made by divorcing couples. When individuals withdraw funds from retirement accounts such as 401(k)s or IRAs, they often overlook the immediate tax implications. These withdrawals may incur significant taxes and penalties if taken out before the age of 59½, which can drastically affect the net benefit of the funds being withdrawn. It is essential for couples going through a divorce to understand that their financial decisions regarding retirement accounts can have long-lasting impacts not just on their current financial situation, but also on their future income and retirement plans. This oversight can lead to underestimating the true value of the retirement assets involved in the divorce settlement. Couples may focus on the gross amounts available in these accounts without considering that accessing these funds prematurely can result in a considerable tax obligation, thus reducing the actual financial benefit derived from the division of assets. In contrast, dividing a joint checking account, using the cost basis for property sales, and analyzing taxes on child support payments, while important, are less likely to be viewed as critical mistakes compared to the significant financial consequences tied to early withdrawals from retirement accounts.

9. Which of the following is NOT one of the methods to divide a pension?

- A. Deferred division method**
- B. Present value method**
- C. Reserved jurisdiction method**
- D. Immediate cash payment method**

The immediate cash payment method is not typically recognized as a standard method for dividing a pension in divorce proceedings. In pension division, the aim is to ensure that both parties receive an equitable share of retirement benefits accrued during the marriage. The deferred division method allows for a portion of the pension benefits to be paid out at the time the pension holder begins to draw benefits, effectively deferring the distribution until retirement age. The present value method calculates the current value of the pension benefit, which can be transferred or converted into a cash award for the non-employee spouse at the time of divorce. The reserved jurisdiction method allows the court to maintain ongoing authority over the division of the pension, deferring the specifics until a later date, generally when the benefits are due to be distributed. The immediate cash payment method, however, suggests a lump-sum payment that is not aligned with how pension assets are generally divided. Since pensions are future benefits, immediate cash settlements are not commonly applicable in their division unless specifically addressed and agreed upon in the divorce settlement. This method illustrates a misunderstanding of how pensions are treated in the context of divorce settlements.

10. Can an attorney testify on behalf of their clients in a divorce proceeding?

- A. Yes, if they have significant financial expertise**
- B. No, attorneys cannot testify on behalf of clients**
- C. Yes, unless they have a conflict of interest**
- D. No, but they can provide related documentation**

In a divorce proceeding, attorneys cannot testify on behalf of their clients. This principle stems from the role of attorneys as advocates rather than witnesses in court proceedings. Their primary function is to represent their clients, present legal arguments, and provide advice on legal matters. An attorney's testimony would conflict with the ethical obligations of the attorney-client relationship, which emphasizes confidentiality and impartiality. They are expected to protect their clients' interests through legal strategies rather than through personal witness testimony. Other options suggest situations where attorneys might provide expert insights or documentation, but they cannot serve as witnesses for their clients. Providing related documentation is appropriate, but this falls within the scope of supporting evidence rather than direct testimony. Thus, the clear stance is that attorneys are not permitted to act as witnesses for clients in divorce proceedings.

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://cdfadivorce.examzify.com>

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

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