Certified Financial Consultant (CFC) Practice Exam (Sample)

Study Guide

BY EXAMZIFY

Everything you need from our exam experts!

Notice: Examzify makes every reasonable effort to obtain from reliable sources accurate, complete, and timely information about this product.

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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. Don't worry about getting everything right, 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, and take breaks to retain information better.

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.

7. Use Other Tools

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

1. **What does a modified guaranteed annuity typically provide?**
   - **A. Variable interest rates based on market performance**
   - **B. Owner guaranteed a fixed interest rate for a specific time**
   - **C. A one-time lump sum payment**
   - **D. No interest payments during the entire term**

2. **In which type of insurance does the insurer participate in the profits and losses of the policyholder?**
   - **A. Term insurance**
   - **B. Participating insurance**
   - **C. Non-participating insurance**
   - **D. Universal insurance**

3. **What is NOT a requirement for associations to buy group insurance for its members?**
   - **A. Has at least 50 members**
   - **B. Members must be of a certain age**
   - **C. Must have a defined purpose**
   - **D. Members should be residents of the same state**

4. **Who typically sets the rules for contributions to an HRA?**
   - **A. The employee.**
   - **B. The employer.**
   - **C. The state government.**
   - **D. The insurance carrier.**

5. **Which of the following statements is true regarding the accuracy of claims under a life insurance policy?**
   - **A. Claims can be contested after 1 year**
   - **B. Claims are always paid regardless of the circumstances**
   - **C. Claims may only be contested for nonpayment of premiums after 2 years**
   - **D. Claims are never subject to contest**

6. **If a policyholder wishes to retain all rights over their life insurance policy while naming their spouse as a beneficiary, the spouse should be designated as which type of beneficiary?**
   - **A. Irrevocable beneficiary**
   - **B. Revocable beneficiary**
   - **C. Contingent beneficiary**
   - **D. Primary beneficiary**

7. **What action must an agent take if they fail to obtain an applicant's signature on the application?**
   - **A. Submit the application without the signature**
   - **B. Return the application to the applicant for a signature**
   - **C. Contact the underwriter to proceed**
   - **D. Delete the application from the system**

8. **Who is eligible to purchase an Individual Retirement Account (IRA)?**
   - **A. Anyone under the age of 70 1/2 who has unearned income.**
   - **B. Anyone under the age of 70 1/2 who has earned income.**
   - **C. Anyone of any age who has earned income.**
   - **D. Anyone over the age of 18.**

9. **What occurs when a policy is surrendered for its cash value?**
   - **A. The policy continues with reduced benefits**
   - **B. Coverage ends and the policy cannot be reinstated**
   - **C. The policyholder receives a loan instead**
   - **D. The insurer retains the cash value but provides partial coverage**

10. **Which of the following is NOT a consideration in an insurance policy?**
    - **A. Something of value exchanged between parties**
    - **B. The premium paid by the insured**
    - **C. The application given to a prospective insured**
    - **D. The promise to pay covered losses**

Answers

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

Explanations

1. What does a modified guaranteed annuity typically provide?

A. Variable interest rates based on market performance

B. Owner guaranteed a fixed interest rate for a specific time

C. A one-time lump sum payment

D. No interest payments during the entire term

A modified guaranteed annuity typically provides the owner with a guaranteed fixed interest rate for a specified period. This means that during that timeframe, the owner can expect a consistent return on their investment, which offers a layer of security and predictability in their financial planning. This type of annuity usually allows the owner the opportunity for potential growth through fixed rates, which may change after the initial guarantee period ends, but the certainty of income during the guaranteed period is a central feature. The predictable returns make it appealing to individuals seeking a balance of safety and growth, distinguishing it from options that might offer variable interest rates that depend on market performance or those that do not provide any interest payments at all.

2. In which type of insurance does the insurer participate in the profits and losses of the policyholder?

A. Term insurance

B. Participating insurance

C. Non-participating insurance

D. Universal insurance

Participating insurance is designed to allow policyholders to share in the profits and losses of the insurance company. This type of policy typically provides dividends to policyholders, which can be based on the company's performance, investment returns, and underwriting success. Because policyholders have a vested interest in the insurer's financial health, they can benefit from these dividends over the life of the policy. In contrast, term insurance provides coverage for a specified term and does not accumulate cash value or offer dividends. Non-participating insurance, by definition, does not allow policyholders to receive any portion of the insurer's profits, which means they do not benefit from any dividends. Universal insurance is a flexible premium, adjustable benefit policy, but it does not involve profit sharing in the same way participatory policies do. Thus, the unique feature of participating insurance is its alignment with the policyholder's interest in the insurer's overall financial performance.

3. What is NOT a requirement for associations to buy group insurance for its members?

A. Has at least 50 members

B. Members must be of a certain age

C. Must have a defined purpose

D. Members should be residents of the same state

In the context of requirements for associations to purchase group insurance for their members, certain criteria dictate eligibility and structure. One critical aspect is the composition of the membership, which generally does not mandate that members must be of a specific age. This allows a wider range of individuals to participate in the group insurance policy, as age restrictions can limit accessibility and affordability. On the other hand, the other requirements—such as having a minimum number of members, the association having a defined purpose, and all members being residents of the same state—are typically necessary to qualify for group insurance. These stipulations help insurance providers assess risk and manage the insurance pool effectively. Thus, recognizing that age is not a defining criterion helps clarify the focus on inclusive and diverse membership in group insurance plans. This understanding is vital for associations looking to provide benefits to their members.

4. Who typically sets the rules for contributions to an HRA?

A. The employee.

B. The employer.

C. The state government.

D. The insurance carrier.

Contributions to a Health Reimbursement Arrangement (HRA) are typically set by the employer. This is because HRAs are employer-funded accounts that reimburse employees for qualified medical expenses. The employer determines the amount of money contributed to the HRA and establishes the rules regarding the use of those funds as part of their employee benefits package. This employer control allows for flexibility in how much and under what conditions reimbursements are made, taking into account the overall health benefits strategy of the organization. Employees and other parties do not have the authority to set these rules or contributions; their role is to utilize the benefits provided as per the guidelines established by the employer.

5. Which of the following statements is true regarding the accuracy of claims under a life insurance policy?

A. Claims can be contested after 1 year

B. Claims are always paid regardless of the circumstances

C. Claims may only be contested for nonpayment of premiums after 2 years

D. Claims are never subject to contest

The statement that claims may only be contested for nonpayment of premiums after 2 years is accurate due to the principle known as the "two-year contestability period." In life insurance policies, insurance companies have a specified period (generally two years) during which they can investigate and assess the validity of a claim based on misrepresentation or fraud. After this period, the insurer generally cannot contest the validity of the policy based on the insured's statements, provided the premiums have been paid. This protects policyholders by ensuring that claims are handled fairly after the insurer has had a sufficient opportunity to verify the details surrounding the policy and the circumstances of the claim. The other options reflect misunderstandings about life insurance policies. Claims can be contested within the contestability period, and thus assertions about claims being paid regardless of circumstances or the never-ending opportunity to contest claims are not accurate. Understanding the limitations on contesting claims is crucial for both policyholders and financial consultants, as it establishes the rules governing the reliability and security of a life insurance policy during its lifecycle.

6. If a policyholder wishes to retain all rights over their life insurance policy while naming their spouse as a beneficiary, the spouse should be designated as which type of beneficiary?

A. Irrevocable beneficiary

B. Revocable beneficiary

C. Contingent beneficiary

D. Primary beneficiary

In a life insurance policy, if a policyholder wishes to maintain full control over their policy and retain all rights to make changes, they should name their spouse as a revocable beneficiary. This designation allows the policyholder the flexibility to change the beneficiary designation at any time without needing consent from the spouse. By contrast, an irrevocable beneficiary designation would restrict the policyholder's ability to make changes to the beneficiary without the approval of the beneficiary, thereby relinquishing some control over the policy. The remaining options, such as contingent or primary beneficiary, do not inherently relate to the control aspect the policyholder wishes to maintain. A primary beneficiary is simply the first in line to receive benefits upon the policyholder's death, and a contingent beneficiary would receive benefits only if the primary beneficiary is unable to do so; neither designation inherently impacts the rights the policyholder holds over the policy itself. Thus, designating a spouse as a revocable beneficiary ensures that the policyholder retains the rights and flexibility they desire while still providing support through life insurance coverage.

7. What action must an agent take if they fail to obtain an applicant's signature on the application?

A. Submit the application without the signature

B. Return the application to the applicant for a signature

C. Contact the underwriter to proceed

D. Delete the application from the system

When an agent fails to obtain an applicant's signature on an application, the appropriate action is to return the application to the applicant for a signature. The signature of the applicant is crucial because it serves as an acknowledgment of the information provided and consent to the terms and conditions outlined in the application. Without a signature, the application is considered incomplete and cannot be processed. Obtaining the applicant's signature ensures that the applicant understands and agrees to the statements made in the application, which can include important disclosures about the insurance policy. It also protects both the agent and the insurance company from potential issues related to consent and fraud. Submitting the application without the signature would not be valid, as this could lead to legal complications or disputes in the future. Contacting the underwriter to proceed without a signature would not be feasible since underwriters rely on complete information to assess risk and make decisions. Deleting the application from the system would also not resolve the issue, as it would eliminate the opportunity for the applicant to complete the process. Hence, returning the application to the applicant for their signature is the correct and necessary step to take.

8. Who is eligible to purchase an Individual Retirement Account (IRA)?

A. Anyone under the age of 70 1/2 who has unearned income.

B. Anyone under the age of 70 1/2 who has earned income.

C. Anyone of any age who has earned income.

D. Anyone over the age of 18.

The eligibility to purchase an Individual Retirement Account (IRA) primarily depends on having earned income, which is income derived from working, such as wages, salaries, and self-employment income. This is crucial because IRAs are designed to encourage saving for retirement, and earned income is the basis for contributions to these accounts. The stipulation regarding age—the limit of 70½—was previously important for traditional IRAs as it determined when you had to start taking required minimum distributions (RMDs). Although this age limit is no longer in effect for contributions as of recent changes in the law, having earned income remains essential. Options that mention unearned income or those that focus less explicitly on earned income do not align with the definition of who can legally open and contribute to an IRA. Also, individuals of any age can technically open an IRA as long as they have earned income, but younger individuals may be limited in their contribution limits based on their income, especially minors. Therefore, the requirement that the individual must possess earned income under the age of 70½ captures the essence of IRA eligibility correctly.

9. What occurs when a policy is surrendered for its cash value?

A. The policy continues with reduced benefits

B. Coverage ends and the policy cannot be reinstated

C. The policyholder receives a loan instead

D. The insurer retains the cash value but provides partial coverage

When a policy is surrendered for its cash value, coverage ends and the policy cannot be reinstated. This means that the policyholder has opted to terminate their insurance policy in exchange for its accumulated cash value. Once the surrender occurs, the insurance contract is no longer in force, meaning that the policyholder loses all coverage benefits associated with that policy. Because the contract is concluded, the option to reinstate the policy is typically not available; the insurer's obligations under that contract have been fulfilled once the cash value is paid out. In contrast to other choices, such as continuing the policy with reduced benefits or retaining some coverage, the act of surrendering effectively amounts to a complete termination of the contract. Additionally, the concept of receiving a loan instead or retaining cash value while providing partial coverage does not apply here, as surrendering a policy completely cancels the insurance coverage.

10. Which of the following is NOT a consideration in an insurance policy?

A. Something of value exchanged between parties

B. The premium paid by the insured

C. The application given to a prospective insured

D. The promise to pay covered losses

The correct choice identifies the application given to a prospective insured as something that is not a primary consideration in an insurance policy. In an insurance context, a consideration is an essential element that forms the basis of the contractual agreement between the insurer and the insured. This typically includes the items of value exchanged between the parties, such as the premium paid by the insured and the insurer's promise to indemnify or pay for covered losses. These elements ensure that both parties have a stake in the agreement, thereby making the contract valid and enforceable. While the application is an important document in the insurance process as it provides information for underwriting and evaluates risk, it is not itself a direct element of consideration. The contract's enforceability and the obligations of the parties primarily hinge upon the actual considerations exchanged—namely, the premium and the promise to cover claims.

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://cfc.examzify.com

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