

CERTIFIED FINANCIAL PLANNER (CFP) 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. Which document must be in writing according to the CFP Board's Code of Ethics and Standards of Professional Conduct?**
 - A. Material Conflicts of interest.
 - B. Investment policy statement.
 - C. Privacy Policy.
 - D. Monitoring responsibilities.
- 2. What is a key responsibility of a CFP® professional as per the standards of conduct?**
 - A. Operate only in the client's interests.
 - B. Analyze competitor strategies.
 - C. Limit recommendations to their firm's services.
 - D. Focus on maximizing their own compensation.
- 3. What should a CFP® professional do in response to an unsolicited investment inquiry?**
 - A. Execute the transaction after documentation
 - B. Promote the mutual fund without client risk analysis
 - C. Understand the client's financial circumstances before proceeding
 - D. Encourage immediate investment based on excitement
- 4. Which of the following statements regarding industry regulatory bodies is true?**
 - A. The insurance industry is regulated by national standards.
 - B. Pension plan funds are completely state-regulated.
 - C. The banking sector is primarily under state regulations.
 - D. The stock exchanges are under federal regulatory oversight.
- 5. What information may a financial planner provide orally when establishing an engagement with a client?**
 - A. Material Conflicts of Interest
 - B. Privacy Policy
 - C. How the Client pays
 - D. Terms of the engagement

6. After seven years of investing \$2,200 quarterly in a mutual fund with a 9% annual return compounded quarterly, how much is Julie Christie's fund worth today?
- A. \$20,240.96
 - B. \$86,435.29
 - C. \$84,533.29
 - D. \$248,530.08
7. If the Federal Reserve intends to increase interest rates, which action might they take?
- A. Buy government securities.
 - B. Sell government securities.
 - C. Decrease the reserve requirement.
 - D. Decrease the prime lending rate.
8. What should a CFP® professional advise clients to do when their essential expenses exceed their income?
- A. Suggest they stay with their current mortgage, as the higher interest is tax deductible.
 - B. Suggest they refinance to a 30-year fixed mortgage and begin funding savings.
 - C. Suggest they refinance to the 15-year mortgage, which would reduce the amount of interest paid over the life of the loan.
 - D. Suggest they meet with their mortgage broker.
9. How should a CFP® professional conduct discussions regarding financial designations?
- A. By highlighting the supremacy of the CFP® marks
 - B. By providing factual and objective comparisons
 - C. By avoiding comparisons to not offend other professionals
 - D. By making subjective comparisons as required
10. How should a CFP® professional proceed if a client cannot retire when planned due to cash flow issues?
- A. Communicate that retirement goals are unrealistic
 - B. Help the client review and prioritize goals
 - C. Simply adjust the plan and implement changes
 - D. Discontinue any support for the client's son

Answers

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

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Explanations

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1. Which document must be in writing according to the CFP Board's Code of Ethics and Standards of Professional Conduct?

- A. Material Conflicts of interest.
- B. Investment policy statement.
- C. Privacy Policy.**
- D. Monitoring responsibilities.

The document that must be in writing according to the CFP Board's Code of Ethics and Standards of Professional Conduct is the privacy policy. This requirement is rooted in the need to ensure that clients are informed about how their personal information is being collected, used, and protected. A written privacy policy not only promotes transparency but also builds trust in the client-advisor relationship by clearly outlining the advisor's commitment to confidentiality and security regarding client information. Having a privacy policy in writing is crucial as it provides clients with specific details about their rights regarding the handling of their personal information, how it may be shared, and what measures are taken to safeguard that information. This requirement aligns with legal standards such as the Gramm-Leach-Bliley Act, which imposes obligations on financial institutions regarding the privacy of consumer information. While the other documents mentioned—material conflicts of interest, investment policy statements, and monitoring responsibilities—are important in financial planning and may require disclosure or discussion, they do not carry the same absolute requirement to be documented in writing as the privacy policy does.

2. What is a key responsibility of a CFP® professional as per the standards of conduct?

- A. Operate only in the client's interests.**
- B. Analyze competitor strategies.
- C. Limit recommendations to their firm's services.
- D. Focus on maximizing their own compensation.

A key responsibility of a CFP® professional is to operate solely in the client's interests. This principle is rooted in the fiduciary standard, which mandates that financial planners prioritize the needs and welfare of their clients above their own or any business interests. This means providing advice that benefits the client, disclosing any potential conflicts of interest, and ensuring that all recommendations align with the client's goals and objectives. Operating in the client's interests builds trust and establishes a strong professional relationship. By adhering to this standard, CFP® professionals demonstrate their commitment to ethical practices, ensuring clients receive objective, unbiased financial advice designed to help them achieve their financial aspirations. In contrast, the other options do not align with these ethical standards expected of CFP® professionals. Analyzing competitor strategies, limiting recommendations to their firm's services, or focusing on maximizing their own compensation diverges from the fiduciary responsibility and would not serve the best interests of clients.

3. What should a CFP® professional do in response to an unsolicited investment inquiry?

- A. Execute the transaction after documentation
- B. Promote the mutual fund without client risk analysis
- C. Understand the client's financial circumstances before proceeding**
- D. Encourage immediate investment based on excitement

Understanding the client's financial circumstances before proceeding is essential in responding to an unsolicited investment inquiry. A Certified Financial Planner (CFP) professional is bound by ethical and regulatory obligations to ensure that any investment recommendation aligns with the client's overall financial goals, risk tolerance, and current financial situation. This involves gathering comprehensive information about the client's income, expenses, investment experience, and specific needs. By prioritizing the client's financial circumstances, the CFP professional can provide advice that is not only suitable but also prudent, mitigating the risk of unwise decisions that could lead to financial loss. Engaging with the client in this way fosters a trusting relationship, as it shows a commitment to their unique situation rather than a one-size-fits-all approach to investment opportunities. This thorough understanding ultimately allows the planner to guide the client in making informed decisions rather than acting on impulse or excitement, which can often lead to poor investment outcomes.

4. Which of the following statements regarding industry regulatory bodies is true?

- A. The insurance industry is regulated by national standards.
- B. Pension plan funds are completely state-regulated.
- C. The banking sector is primarily under state regulations.
- D. The stock exchanges are under federal regulatory oversight.**

The statement indicating that stock exchanges are under federal regulatory oversight is accurate because stock exchanges, such as the New York Stock Exchange and NASDAQ, operate within a framework governed by federal laws. The primary regulatory body overseeing these operations is the Securities and Exchange Commission (SEC), which enforces federal securities laws, ensuring that securities markets operate fairly and efficiently. In contrast, the other statements do not accurately reflect the regulatory landscape. While the insurance industry does have some national regulations, it is primarily regulated at the state level, meaning there is significant variation in rules and standards from one state to another. Pension plans are also subject to regulation at both state and federal levels, but they are primarily governed by the Employee Retirement Income Security Act (ERISA) at the federal level. The banking sector, although it has some state regulations, is predominantly regulated at the federal level through agencies such as the Federal Reserve, the Office of the Comptroller of the Currency (OCC), and the Federal Deposit Insurance Corporation (FDIC). Thus, the regulatory environment for stock exchanges stands out as being primarily under federal authority.

5. What information may a financial planner provide orally when establishing an engagement with a client?

A. Material Conflicts of Interest

B. Privacy Policy

C. How the Client pays

D. Terms of the engagement

In the context of establishing an engagement with a client, financial planners are typically required to disclose material conflicts of interest orally. This requires transparency and is essential for maintaining trust in the advisor-client relationship. By discussing material conflicts of interest, planners ensure that clients are fully informed about any factors that may affect the advice given, such as financial incentives tied to particular investments or products. This oral disclosure reinforces the planner's commitment to fiduciary duty and helps clients make informed decisions. While a financial planner can certainly discuss their privacy policy, payment methods, and terms of engagement, it is critical that any material conflicts of interest are clearly conveyed, as they directly impact the advice provided and the integrity of the financial plan. This measure is in line with regulatory requirements, which emphasize the importance of disclosing potential conflicts prior to the client making any decisions based on the planner's recommendations.

6. After seven years of investing \$2,200 quarterly in a mutual fund with a 9% annual return compounded quarterly, how much is Julie Christie's fund worth today?

A. \$20,240.96

B. \$86,435.29

C. \$84,533.29

D. \$248,530.08

*To determine the future value of Julie Christie's investment in the mutual fund, we utilize the future value of an annuity formula since she is making regular quarterly contributions. The formula for the future value of an annuity compounded periodically is: $FV = P * \frac{[(1 + r)^{nt} - 1]}{r}$ Where: - FV = future value of the annuity - P = payment amount per period (\$2,200) - r = interest rate per period (annual rate divided by number of periods per year) - n = total number of periods (number of years times number of periods per year) - t = total time (in years) Given that the annual interest rate is 9%, the quarterly interest rate is: $r = 0.09 / 4 = 0.0225$ (or 2.25% per quarter) Julie is making contributions for 7 years, and since she invests quarterly, the total number of contributions (or periods) is: $n = 7 * 4 = 28$ Plugging these values into the formula gives: $FV = 2200 * \frac{[(1 + 0.0225)^{28} - 1]}{0.0225}$*

7. If the Federal Reserve intends to increase interest rates, which action might they take?

- A. Buy government securities.
- B. Sell government securities.**
- C. Decrease the reserve requirement.
- D. Decrease the prime lending rate.

When the Federal Reserve intends to increase interest rates, one of the primary actions they may take is to sell government securities. Selling these securities reduces the amount of money circulating in the economy because when the Fed sells them, buyers pay for these securities, effectively transferring their funds to the Fed. This process decreases the reserves of banks, leading to less available money for lending. As banks have reduced reserves, they may need to raise the interest rates they charge for loans in response to decreased liquidity. The effect here is a tightening of monetary policy, which leads to higher overall interest rates throughout the economy. The other options involve actions that would not result in an increase in interest rates. For instance, buying government securities (as noted in one of the choices) would inject liquidity into the banking system, thereby lowering interest rates. Decreasing the reserve requirement would also increase bank reserves, further encouraging lending and reducing rates. Likewise, a decrease in the prime lending rate would signal lower borrowing costs, which is contrary to the intention of raising interest rates.

8. What should a CFP® professional advise clients to do when their essential expenses exceed their income?

- A. Suggest they stay with their current mortgage, as the higher interest is tax deductible.
- B. Suggest they refinance to a 30-year fixed mortgage and begin funding savings.
- C. Suggest they refinance to the 15-year mortgage, which would reduce the amount of interest paid over the life of the loan.**
- D. Suggest they meet with their mortgage broker.

When essential expenses exceed income, a CFP® professional's primary goal is to help clients create a manageable financial plan that reduces financial strain. Advising clients to refinance to a 15-year mortgage is effective because it generally leads to lower interest rates compared to longer-term loans. This results in significantly lower total interest payments over the life of the loan, allowing clients to save money in the long run. Reducing overall debt and interest costs can free up funds that may be redirected to essential expenses or savings, thereby improving the client's financial stability. Furthermore, a 15-year mortgage enables clients to pay off their home quicker, which can diminish long-term financial obligations and contribute positively to their net worth. While it may increase monthly payment amounts compared to a longer loan term, the overall benefits of decreased interest costs can make it a sound financial decision for someone looking to stabilize their expenses. This approach focuses on a long-term financial strategy, which is critical when essential expenditures are outpacing income.

9. How should a CFP® professional conduct discussions regarding financial designations?

- A. By highlighting the supremacy of the CFP® marks
- B. By providing factual and objective comparisons**
- C. By avoiding comparisons to not offend other professionals
- D. By making subjective comparisons as required

The appropriate approach for a CFP® professional when discussing financial designations is to provide factual and objective comparisons. This method ensures that the discussion remains professional and informative, allowing clients and colleagues to understand the different qualifications and what they entail. By focusing on factual information, the CFP® professional can effectively communicate the unique aspects of the CFP® designation and how it may differ from other designations without resorting to biased opinions or subjective impressions. Presenting objective comparisons allows individuals to make informed decisions based on their needs and goals, fostering a professional dialogue that respects the various qualifications in the financial services industry. This approach not only strengthens the integrity of the conversation but also promotes a positive perception of the CFP® designation based on its merits rather than on comparisons that could be seen as dismissive or confrontational towards other designations.

10. How should a CFP® professional proceed if a client cannot retire when planned due to cash flow issues?

- A. Communicate that retirement goals are unrealistic
- B. Help the client review and prioritize goals**
- C. Simply adjust the plan and implement changes
- D. Discontinue any support for the client's son

The appropriate course of action in this scenario is to help the client review and prioritize their goals. This involves engaging with the client to understand their financial situation, concerns, and aspirations in greater detail. By assisting the client in evaluating their goals, the CFP® professional can identify which retirement objectives are most important to them, and subsequently form a plan that aligns those objectives with their current financial capabilities. This collaboration can lead to more realistic planning, helping the client understand potential adjustments needed to achieve a sustainable retirement strategy. Prioritizing goals ensures that the client remains focused on what truly matters to them, while also allowing for potential trade-offs. It also fosters a supportive relationship, showing the client that their needs and aspirations are taken seriously, which is crucial for effective financial planning and long-term client satisfaction. The other options may not provide the client with the comprehensive support they need during this challenging situation. Communicating that goals are unrealistic could discourage the client. Simply adjusting the plan without thorough discussions might overlook critical aspects of the client's life and needs. Discontinuing support for a family member, like the client's son, would not address the cash flow issues and could harm the advisor-client relationship.

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://certifiedfinancialplanner.examzify.com>

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

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