

CERTIFIED FINANCIAL PLANNER (CFP) PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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. In preparing Robert Smith's cash flow statement, which statement about his taxes is accurate?**
 - A. The value of the home would be an income source, since there is NO mortgage.
 - B. The value of the home would be an asset.
 - C. The taxes on his salary would be a liability.
 - D. The taxes on his salary would be an expense.
- 2. Which action is related to the Federal Reserve's open market operations?**
 - A. Change the discount rate
 - B. Purchase Treasury bonds from banks
 - C. Call Treasury bonds
 - D. Sell corporate bonds
- 3. What duty of care does a CFP® professional owe to their client when making recommendations?**
 - A. They are required to provide product recommendations that are suitable for the client.
 - B. They owe the client the duty of a fiduciary.
 - C. They must place the client's interest ahead of their own but do not owe a fiduciary duty.
 - D. They do not owe any duty of care if they are not engaged in financial planning.
- 4. Which of the following financial documents is essential for estimating a client's net worth?**
 - A. Income statement.
 - B. Balance sheet.
 - C. Cash flow statement.
 - D. Investment policy statement.
- 5. If Helen wants to withdraw her half from a joint account, what is the best course of action for the CFP® professional?**
 - A. Contact the mother to schedule a meeting.
 - B. Discuss with Helen her reasons for wanting to withdraw.
 - C. Direct Helen to consult her attorney.
 - D. Advise Helen to contact her sister for documentation.

- 6. In determining financial risks, which of the following is most critical for a financial planner?**
- A. Understanding current market trends.
 - B. Identifying client goals.
 - C. Accessing financial statements.
 - D. Conducting ratio analysis.
- 7. Which types of financial aid are NOT available to full-time graduate students?**
- A. Pell Grants
 - B. Subsidized Stafford Loans
 - C. Supplemental Education Opportunity Grants (SEOG)
 - D. None of the above
- 8. What is the role of a CFP® professional when a client's behavior raises suspicions about tax evasion?**
- A. Disengage from the engagement immediately.
 - B. Report the client to the IRS.
 - C. Limit the scope of engagement.
 - D. Confront the client directly about suspicions.
- 9. What conclusion can be drawn from the disciplinary case involving G Washington and A Burr?**
- A. The clients were supportive of the grievance against Burr.
 - B. Burr had no involvement in the loan to his wife's business.
 - C. The Commission issued a Private Censure to the Respondent.
 - D. The outcome would remain favorable regardless of new fiduciary duties.
- 10. What should a CFP® professional do if a complaint arises regarding trades executed on behalf of a client?**
- A. Disregard the complaint if there is no harm reported.
 - B. Investigate the complaint through internal audits.
 - C. Refer the complaint to the SEC for resolution.
 - D. Respond immediately to the client with an explanation.

Answers

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

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Explanations

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1. In preparing Robert Smith's cash flow statement, which statement about his taxes is accurate?

- A. The value of the home would be an income source, since there is NO mortgage.
- B. The value of the home would be an asset.
- C. The taxes on his salary would be a liability.
- D. The taxes on his salary would be an expense.**

The assertion that the taxes on Robert Smith's salary would be an expense is accurate because taxes deducted from an individual's income are classified as an expense on the cash flow statement. This is because expenses, in a cash flow context, represent cash outflows that decrease an individual's net cash available. When preparing a cash flow statement, it is essential to account for all cash inflows and outflows, including income taxes, which reduce the overall amount of disposable income. This classification helps in understanding how much of Robert's income is actually available for spending or saving after obligations such as taxes are satisfied. By properly categorizing taxes on salary as an expense, it provides a more accurate picture of Robert's cash flow for planning purposes and highlights the importance of taxes in financial management.

2. Which action is related to the Federal Reserve's open market operations?

- A. Change the discount rate
- B. Purchase Treasury bonds from banks**
- C. Call Treasury bonds
- D. Sell corporate bonds

The action of purchasing Treasury bonds from banks is a fundamental part of the Federal Reserve's open market operations. These operations are one of the primary tools used by the Federal Reserve to regulate the money supply and influence interest rates in the economy. When the Federal Reserve purchases Treasury bonds, it increases the reserves of commercial banks, allowing them to lend more, which can stimulate economic activity. This action typically lowers short-term interest rates because it increases the demand for bonds, thereby raising their prices and lowering their yields. Open market operations specifically involve the buying and selling of government securities, with Treasury bonds being the most common securities involved. By engaging in such transactions, the Federal Reserve is directly influencing the liquidity in the banking system and the overall monetary policy stance. While changing the discount rate affects the cost of borrowing from the Federal Reserve by banks, and calling Treasury bonds relates to the redemption process of bonds, these actions do not fall under the category of open market operations. Selling corporate bonds is not relevant in this context as the Federal Reserve primarily deals with government securities in its open market operations. Thus, the purchase of Treasury bonds aligns directly with the objectives and mechanics of the Federal Reserve's open market operations, making it the correct choice.

3. What duty of care does a CFP® professional owe to their client when making recommendations?

A. They are required to provide product recommendations that are suitable for the client.

B. They owe the client the duty of a fiduciary.

C. They must place the client's interest ahead of their own but do not owe a fiduciary duty.

D. They do not owe any duty of care if they are not engaged in financial planning.

A Certified Financial Planner (CFP®) professional owes a fiduciary duty to their clients, which is rooted in ethical and legal obligations to act in the best interests of the client. This means that whenever a CFP® professional makes recommendations, they must do so with an unwavering commitment to the client's interests, prioritizing them above their own financial gain or the interests of their firm. The fiduciary duty encompasses the responsibility to provide advice that is in the client's best interests and to avoid any conflicts of interest that could influence their judgment. This level of care and dedication is more stringent than merely providing suitable recommendations. While it is important for a financial planner to ensure that their recommendations are suitable, the fiduciary standard demands a higher level of accountability and ethical consideration. This obligation stands firm regardless of the specific nature of the financial services being provided. Even if a CFP® professional is not engaged in comprehensive financial planning at a given moment, the fiduciary duty persists throughout the client-professional relationship whenever advice and recommendations are provided.

4. Which of the following financial documents is essential for estimating a client's net worth?

A. Income statement.

B. Balance sheet.

C. Cash flow statement.

D. Investment policy statement.

The balance sheet is the essential financial document for estimating a client's net worth. This document provides a snapshot of an individual's financial position at a specific point in time, detailing what they own (assets) and what they owe (liabilities). The net worth is calculated by subtracting total liabilities from total assets, and the balance sheet expressly organizes this information. In contrast, an income statement summarizes revenues and expenses over a time period, which helps in understanding cash flow and profitability but does not directly address the accumulation of wealth. A cash flow statement provides insights into the inflows and outflows of cash, highlighting how money is being used but not directly detailing financial position or net worth. Finally, an investment policy statement outlines an investor's strategy and goals regarding investments, but it does not provide a comprehensive view of overall financial standing, including liabilities. Therefore, for estimating net worth specifically, the balance sheet is the most relevant document.

5. If Helen wants to withdraw her half from a joint account, what is the best course of action for the CFP® professional?

- A. Contact the mother to schedule a meeting.
- B. Discuss with Helen her reasons for wanting to withdraw.**
- C. Direct Helen to consult her attorney.
- D. Advise Helen to contact her sister for documentation.

In situations involving joint accounts, understanding the motivations and intentions behind a client's actions is crucial. By discussing with Helen her reasons for wanting to withdraw her half from the joint account, the CFP® professional can gain insights into her financial goals, any underlying issues, and the context surrounding her decision. This conversation can clarify whether the withdrawal is a response to a specific situation, such as a dispute, or is part of a broader goal for her financial planning. This approach also ensures that Helen feels heard and supported in her decision-making process while allowing the professional to provide tailored advice based on her unique circumstances. Furthermore, it opens the door for further discussions about implications regarding taxes, possible effects on relationships, or future financial planning considerations that may arise from her decision to withdraw funds. Engaging Helen in this manner aligns with fiduciary responsibilities and emphasizes the importance of understanding a client's perspective before taking action.

6. In determining financial risks, which of the following is most critical for a financial planner?

- A. Understanding current market trends.
- B. Identifying client goals.**
- C. Accessing financial statements.
- D. Conducting ratio analysis.

Identifying client goals is paramount for a financial planner when assessing financial risks because the financial strategies and decisions made should always align with the client's specific objectives and aspirations. By understanding what the client aims to achieve—whether it's saving for retirement, funding a child's education, purchasing a home, or any other financial milestone—the planner can better evaluate the risk tolerance and the implications of potential market fluctuations, economic changes, or other financial variables that could impact those goals. When a planner has a clear picture of the client's short-term and long-term goals, they can prioritize risk management strategies that align with those objectives. This alignment ensures that the financial planning process is personalized and relevant, ultimately leading to more effective risk assessments and the development of appropriate investment or savings strategies. While understanding current market trends, accessing financial statements, and conducting ratio analysis are all important components of financial planning and risk assessment, they serve as tools for achieving the overarching aim of realizing the client's goals. Without a deep understanding of what those goals are, the application of these tools may not adequately address the client's unique financial situation or risk profile. Hence, identifying client goals is foundational to all subsequent planning and risk management efforts.

7. Which types of financial aid are NOT available to full-time graduate students?

- A. Pell Grants
- B. Subsidized Stafford Loans
- C. Supplemental Education Opportunity Grants (SEOG)
- D. None of the above**

Full-time graduate students typically do not have access to Pell Grants, Subsidized Stafford Loans, and Supplemental Education Opportunity Grants (SEOG). Pell Grants are specifically designed for undergraduate students demonstrating financial need. Subsidized Stafford Loans are available only to undergraduate students who need financial assistance, as they are based on financial need, allowing students to borrow without accruing interest while enrolled at least half-time. Finally, SEOG funds are awarded to undergraduate students with exceptional financial need, making them ineligible for graduate students. The option stating "None of the above" suggests that all types listed are indeed available to full-time graduate students, which is incorrect. None of the options provided are relevant financial aid options for graduate students; thus, the correct understanding is that graduate students do not have access to Pell Grants, Subsidized Stafford Loans, or SEOG.

8. What is the role of a CFP® professional when a client's behavior raises suspicions about tax evasion?

- A. Disengage from the engagement immediately.
- B. Report the client to the IRS.
- C. Limit the scope of engagement.**
- D. Confront the client directly about suspicions.

The role of a CFP® professional when faced with suspicions of tax evasion is to limit the scope of engagement. This approach allows the professional to maintain compliance with ethical and legal obligations while protecting themselves from potential involvement in illegal activities. By narrowing the scope, the CFP® can focus on areas of the client's financial situation that do not raise concerns, thereby fulfilling their fiduciary duty to act in the client's best interest without being complicit in any potentially unlawful actions. This choice reflects a prudent and cautious approach, acknowledging the complexity of dealing with suspected illegal activity. It allows the financial planner to continue offering services in compliant areas without escalating the situation or breaching confidentiality unnecessarily. Engaging in direct confrontation or reporting the client can lead to ethical dilemmas and may impact the professional relationship, while disengaging entirely could leave the client without needed guidance in legitimate areas of their financial planning. Thus, limiting the scope maintains the integrity of the planner's practice while navigating these sensitive issues.

9. What conclusion can be drawn from the disciplinary case involving G Washington and A Burr?

- A. The clients were supportive of the grievance against Burr.
- B. Burr had no involvement in the loan to his wife's business.
- C. The Commission issued a Private Censure to the Respondent.**
- D. The outcome would remain favorable regardless of new fiduciary duties.

The correct conclusion drawn from the disciplinary case involving G Washington and A Burr is that the Commission issued a Private Censure to the Respondent. In disciplinary cases, a Private Censure typically serves as a formal reprimand denoting that the individual has engaged in misconduct but it may not be severe enough to warrant public disclosure or stronger sanctions. This indicates that while there may have been issues concerning the respondent's professional conduct, the disciplinary action did not escalate to more severe penalties such as revocation of license or public reprimand. The other options do not reflect the outcome or the essential elements of the case. Support from clients or lack of involvement in loans, while possibly relevant to the context of the grievance, do not determine the disciplinary outcome itself. Additionally, the notion that the outcome would remain favorable regardless of new fiduciary duties misrepresents the relationship between fiduciary responsibility and the accountability that comes from disciplinary proceedings. Thus, the issuance of a Private Censure succinctly summarizes the Commission's response to the actions of the respondent within the framework of the disciplinary process.

10. What should a CFP® professional do if a complaint arises regarding trades executed on behalf of a client?

- A. Disregard the complaint if there is no harm reported.
- B. Investigate the complaint through internal audits.**
- C. Refer the complaint to the SEC for resolution.
- D. Respond immediately to the client with an explanation.

Investigating the complaint through internal audits is essential for maintaining the integrity of a financial planning practice. This step indicates that the CFP® professional is taking the complaint seriously and is committed to understanding the circumstances surrounding the trades executed on behalf of the client. Internal audits can help to verify whether the trades were executed according to the client's investment objectives, risk tolerance, and instructions. This thorough approach is crucial as it not only ensures accountability but also helps in identifying any potential mistakes or unacceptable practices within the firm. By addressing the issue systematically, the CFP® professional demonstrates a commitment to ethical conduct and client trust, which are vital components of effective financial planning. Additionally, this investigation can inform future practices and policies, improving overall service and potentially preventing similar complaints from arising in the future, thus reinforcing the professional's dedication to fiduciary responsibility.

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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