

Chartered Retirement Planning Counselor (CRPC) Practice Exam (Sample)

Study Guide



Everything you need from our exam experts!

Copyright © 2025 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

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

SAMPLE

Questions

SAMPLE

- 1. Which of the following does the investment policy not provide?**
 - A. A foundation for portfolio constraints**
 - B. A basis for review and performance evaluation**
 - C. Guarantee against losses in the portfolio**
 - D. Guidelines for goal achievement over time**
- 2. What amount does John need to save annually to reach his \$1 million retirement goal in 25 years?**
 - A. \$10,000**
 - B. \$8,740**
 - C. \$9,500**
 - D. \$5,000**
- 3. What is a common duration for someone receiving full Social Security benefits at full retirement age to reach parity with someone who took reduced benefits at age 62?**
 - A. 5 years**
 - B. 10 years**
 - C. 15 years**
 - D. 20 years**
- 4. What type of statement includes IRA contributions?**
 - A. Statement of Financial Condition**
 - B. Cash Flow Statement**
 - C. Income Statement**
 - D. Net Worth Statement**
- 5. What should a living will state?**
 - A. What financial measures should be taken if the maker becomes incapacitated**
 - B. What life-sustaining measures should be taken if the maker cannot consent**
 - C. What should happen to the maker's property after death**
 - D. What type of healthcare the maker prefers in routine illnesses**

- 6. What is the maximum deductible contribution for a participant earning \$160,000 in a profit sharing plan?**
- A. \$20,000**
 - B. \$40,000**
 - C. \$53,000**
 - D. \$160,000**
- 7. What penalty is imposed for failing to take the required minimum distribution (RMD)?**
- A. 25%**
 - B. 30%**
 - C. 50%**
 - D. 10%**
- 8. Who might be best suited for a QLAC?**
- A. Those with uncertainties about future income sources**
 - B. Individuals with low family health history**
 - C. Those who are healthy and have a family history of longevity**
 - D. Individuals relying only on retirement savings**
- 9. What is needed to make a proper capital utilization strategy?**
- A. A comprehensive view of expected returns**
 - B. A good estimate of a client's life span**
 - C. Access to multiple investment accounts**
 - D. An understanding of inflation rates**
- 10. Which of the following deductions is considered an above-the-line deduction?**
- A. Mortgage interest deduction**
 - B. Standard deduction**
 - C. Alimony paid**
 - D. Personal deductions**

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. Which of the following does the investment policy not provide?

- A. A foundation for portfolio constraints**
- B. A basis for review and performance evaluation**
- C. Guarantee against losses in the portfolio**
- D. Guidelines for goal achievement over time**

The investment policy serves several important functions in guiding investment decisions and strategies, but it does not provide a guarantee against losses in the portfolio. Investment policies are designed to define the overall strategy, set investment objectives, and outline the risk tolerance of an investment portfolio. However, they do not eliminate the inherent risks associated with investing. The nature of financial markets means that all investments carry a degree of risk, including the potential for loss. Therefore, while the investment policy establishes guidelines for asset allocation, investment constraints, and approaches to performance evaluation, it cannot assure investors that they will avoid losses. The other options accurately reflect the functions of an investment policy, such as providing a foundation for understanding portfolio constraints, serving as a basis for review and evaluation of performance, and offering guidelines to help achieve specific financial goals over time.

2. What amount does John need to save annually to reach his \$1 million retirement goal in 25 years?

- A. \$10,000**
- B. \$8,740**
- C. \$9,500**
- D. \$5,000**

To determine the annual savings amount John needs to reach a \$1 million retirement goal in 25 years, several factors come into play, including interest rate, time, and compounding. The correct answer indicates that John needs to save \$8,740 each year, which reflects appropriate calculations considering a realistic expected rate of return on his investments over the 25 years. When evaluating the options, the approach typically involves using the future value of a series formula, which helps to estimate how much saving annually would grow to reach a certain financial target after a specified time frame, accounting for compounding interest. Assuming an average annual return rate, such as the common expectation of around 7% for a diversified investment portfolio, the calculations show that saving closer to \$8,740 per year would lead to the target amount after 25 years. This amount strikes a balance between ensuring sufficient growth through compound interest while being a feasible annual savings figure. In contrast, other amounts suggested may not yield the \$1 million goal when adjusted for the time value of money. For instance, \$10,000 annually would significantly exceed the necessary contributions, and lower figures like \$5,000 may require unrealistic rates of return to reach the objective within the time limit. Thus,

3. What is a common duration for someone receiving full Social Security benefits at full retirement age to reach parity with someone who took reduced benefits at age 62?

- A. 5 years**
- B. 10 years**
- C. 15 years**
- D. 20 years**

To understand the duration it takes for someone receiving full Social Security benefits at full retirement age to reach parity with someone who took reduced benefits at age 62, it's important to recognize how Social Security benefits are structured. Individuals who choose to start collecting benefits early, at age 62, face a reduction in their monthly payments. This reduction compensates for the longer duration over which they will receive benefits. Conversely, those who wait until their full retirement age receive higher monthly payments. Typically, the reduced benefit received at age 62 is about 25-30% lower than what would be received at full retirement age, depending on the birth year. As the individual receiving the higher full benefit ages, their total benefits accrued will eventually surpass those of an individual taking reduced benefits early, but this does take several years. In most scenarios, research and actuarial calculations suggest that it usually takes about 12 to 15 years after reaching full retirement age for the total cumulative benefits of retiring at full retirement age to exceed those of retiring early at age 62. Thus, the common duration of about 15 years represents a typical scenario where the delayed retirement benefits outweigh those taken at a reduced rate, achieving financial parity. This understanding demonstrates why 15 years is

4. What type of statement includes IRA contributions?

- A. Statement of Financial Condition**
- B. Cash Flow Statement**
- C. Income Statement**
- D. Net Worth Statement**

The correct response is that IRA contributions are typically included in a Statement of Financial Condition. This type of statement provides a snapshot of an individual's or entity's financial position at a specific point in time. It details the assets, liabilities, and equity, allowing one to assess overall financial health. Specifically, IRA contributions represent a part of an individual's assets, which is crucial for understanding their savings and investment strategy. This statement helps determine net worth and is fundamental for financial planning and analysis. In contrast, the other types of statements serve different purposes. The Cash Flow Statement focuses on the inflows and outflows of cash, showing how cash is generated and spent over a period of time, without providing details on specific savings accounts or investment vehicles. The Income Statement reflects revenue and expenses, capturing profitability over a specific timeframe without including asset contributions like IRAs. A Net Worth Statement is similar but typically emphasizes the difference between assets and liabilities rather than detailing individual contributions to accounts like IRAs.

5. What should a living will state?

- A. What financial measures should be taken if the maker becomes incapacitated
- B. What life-sustaining measures should be taken if the maker cannot consent**
- C. What should happen to the maker's property after death
- D. What type of healthcare the maker prefers in routine illnesses

A living will is a legal document that expresses an individual's wishes regarding medical treatment in situations where they are unable to communicate these preferences themselves due to incapacitation. The primary purpose of a living will is to provide guidance to healthcare providers and family members about what life-sustaining measures should be taken if the individual can no longer provide informed consent. This can include decisions about resuscitation, mechanical ventilation, or other medical interventions in critical situations. By stating specific wishes about life-sustaining measures in the living will, the individual aims to ensure that their preferences are respected and that they receive the kind of medical care they desire in accordance with their values and beliefs. This document is particularly important in scenarios where decisions need to be made quickly, and there is no opportunity for the individual to express their wishes verbally. Other options do touch on important aspects of estate and healthcare planning, but they don't accurately reflect the primary function of a living will. These elements are more relevant to different types of documents: financial measures relate to power of attorney, property distribution pertains to a will or trust, and preferences for healthcare during routine illnesses are generally discussed in advance healthcare directives rather than a living will.

6. What is the maximum deductible contribution for a participant earning \$160,000 in a profit sharing plan?

- A. \$20,000
- B. \$40,000**
- C. \$53,000
- D. \$160,000

The correct answer reflects the maximum amount that can be contributed to a profit-sharing plan as a deductible contribution for participants who are eligible. For the year 2023, the limit on contributions to a profit-sharing plan, which includes employer contributions, is set to a maximum of \$66,000. However, since you are inquiring specifically about the deductible contributions of an employee earning \$160,000, the relevant figure for the employee's salary deferral contribution, which can also contribute to the total deductible contributions, must be considered. In this case, individuals under the age of 50 can defer up to \$22,500 for the year 2023, and if they are over 50, they can make catch-up contributions bringing that amount to \$30,000. But if we focus strictly on the profit-sharing contributions made by the employer, a participant can have the total contribution from both employer and employee contributions as much as \$66,000. However, accounting for the limits applicable due to the participant's salary and bases on maximum thresholds, the typical annual deductible contribution available for a single participant adjusted for lower limits tends to be around \$40,000 for the employer's share, provided that it does not exceed the 100% rule.

7. What penalty is imposed for failing to take the required minimum distribution (RMD)?

- A. 25%
- B. 30%
- C. 50%**
- D. 10%

When an individual fails to take the required minimum distribution (RMD) from their retirement account, such as a traditional IRA or 401(k), the penalty imposed is a significant 50% of the amount that was not distributed, over and above any regular income tax liability from the RMD. This penalty is intended to encourage compliance with RMD rules, which mandate that account holders begin withdrawal at a certain age to ensure that retirement savings are eventually depleted rather than left untouched indefinitely. Understanding the rationale behind the penalty is crucial: it prevents individuals from using retirement accounts purely as tax-deferred savings indefinitely, promoting the intended purpose of these funds to be used for retirement living expenses. Other choices listed, such as percentages lower than 50%, do not reflect the actual penalty established by the IRS for missed RMDs. This emphasizes the importance of taking RMDs seriously to avoid substantial tax penalties.

8. Who might be best suited for a QLAC?

- A. Those with uncertainties about future income sources
- B. Individuals with low family health history
- C. Those who are healthy and have a family history of longevity**
- D. Individuals relying only on retirement savings

A Qualified Longevity Annuity Contract (QLAC) is an investment vehicle designed to help individuals secure a steady income in their later years, effectively addressing the risk of outliving their savings. The most suitable candidates for a QLAC are typically those who are healthy and have a family history of longevity. This is because these individuals are more likely to live well into their 80s and beyond and can benefit from locking in a stream of income that begins later in life, thus effectively managing their financial resources over a longer retirement period. By purchasing a QLAC, healthy individuals with longevity in their family can mitigate the risk of depleting their retirement savings too early. With QLACs, they can defer the annuity payments until a specified age, which allows for potentially larger monthly payouts due to the longer deferral period. This structure aligns well with their financial needs, providing a safeguard against the uncertainties of life expectancy and ensuring that they have a reliable income source when they may need it the most. In contrast, individuals who have uncertainties about future income sources might benefit from various financial strategies other than a QLAC, while those with low family health history may not need the long-term income guarantee, given their expected longevity. Individuals

9. What is needed to make a proper capital utilization strategy?

- A. A comprehensive view of expected returns**
- B. A good estimate of a client's life span**
- C. Access to multiple investment accounts**
- D. An understanding of inflation rates**

A proper capital utilization strategy is fundamentally about understanding a client's financial needs in the context of their lifespan. Estimating a client's life span is critical because it guides retirement planning and capital allocation. It ensures that the capital preservation, growth, and consumption strategies align with how long the client is expected to need those funds. This knowledge enables financial advisors to create a withdrawal strategy that optimally balances immediate financial requirements with the long-term sustainability of the client's assets. While a comprehensive view of expected returns, access to multiple investment accounts, and an understanding of inflation rates are all important factors in financial planning, they serve more as supplementary information. Return expectations inform investment strategy, account access facilitates account management and diversification, and understanding inflation helps assess the real value of assets over time. However, without a solid estimate of the client's life span, which dictates how long those returns and assets must last, the capital utilization strategy may lack the necessary focus and effectiveness.

10. Which of the following deductions is considered an above-the-line deduction?

- A. Mortgage interest deduction**
- B. Standard deduction**
- C. Alimony paid**
- D. Personal deductions**

An above-the-line deduction is a type of deduction that can be made from gross income to arrive at adjusted gross income (AGI) on a tax return. These deductions are beneficial as they are taken before calculating AGI, which may affect eligibility for various tax credits and deductions. Alimony paid qualifies as an above-the-line deduction because it directly reduces the taxpayer's AGI. This deduction is particularly significant because it allows the taxpayer to have a lower AGI, potentially resulting in a lower overall tax liability and a broader eligibility for tax benefits that are phased out at higher income levels. The other options do not function as above-the-line deductions. Mortgage interest deduction is classified as an itemized deduction and is taken below the line after calculating AGI. The standard deduction, which provides a fixed deduction amount, is also applied below the line. Personal deductions encompass various non-specific deductions that are typically summarized along with itemized deductions and do not affect AGI directly.