

FINANCIAL PLANNING I (FP I) PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

<https://financialplanning1.examzify.com>



Copyright © 2026 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 accurate, complete, and timely information about this product from reliable sources.

SAMPLE

Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	16

SAMPLE

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

SAMPLE

- 1. Which statements about the evolution of the role of financial advisors are correct?**
- A. I only.
 - B. I and III only.
 - C. II and III only.
 - D. I and II only.
- 2. What strategy will most effectively improve a client's cash flow?**
- A. Improve investment return.
 - B. Reduce flexible expenses and lengthen time frame for investments.
 - C. Increase income and reduce expenses.
 - D. Contribute regularly to an emergency fund.
- 3. When must the first repayment for the Lifelong Learning Plan be made after the first withdrawal?**
- A. 30 days after withdrawal
 - B. 60 days after the 5th year
 - C. 10 years from the first withdrawal
 - D. 5 years from the first withdrawal
- 4. What is Jamal's estimated annual pension upon retirement based on his defined-benefit pension plan?**
- A. \$4,000
 - B. \$4,640
 - C. \$5,000
 - D. \$5,900
- 5. Why is understanding your risk tolerance crucial in financial planning?**
- A. It determines how much insurance one should buy
 - B. It influences investment strategy and choices
 - C. It helps minimize tax liabilities
 - D. It ensures compliance with laws

- 6. How are taxable employee benefits classified in terms of tax obligations?**
- A. The benefit amount is included in the employee's income.
 - B. The benefit amount is part of the employee's pension adjustment calculation.
 - C. The employee receives a tax credit for taxable employee benefits.
 - D. A two-year vesting period is required for these benefits.
- 7. Until what age can a client's RRIF legally remain open?**
- A. Until age 69
 - B. Until age 80
 - C. Until age 90
 - D. There is no maximum age
- 8. What does the term "taxable benefits" refer to in employment income?**
- A. Benefits that are exempt from taxation.
 - B. All benefits that are included in taxable income.
 - C. Only cash benefits provided by the employer.
 - D. All benefits with a specified exemption limit.
- 9. Which type of insurance can be extended without medical evidence at the end of the term?**
- A. Level term insurance.
 - B. Decreasing term insurance.
 - C. Convertible term insurance.
 - D. Renewable term insurance.
- 10. What is commonly used in lieu of Letters Probate for small estates?**
- A. Affidavit of Execution of the Will
 - B. Letter of Indemnity
 - C. Power of Attorney
 - D. Living Will

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. Which statements about the evolution of the role of financial advisors are correct?

- A. I only.
- B. I and III only.**
- C. II and III only.
- D. I and II only.

The evolution of the role of financial advisors has been marked by a number of significant changes reflecting broader trends in the financial landscape, regulatory environment, and client expectations. The first statement highlights a critical aspect: financial advisors have typically shifted from being primarily transaction-oriented to becoming more relationship-oriented. This transformation focuses on offering personalized financial planning and comprehensive advice, rather than merely executing buy and sell orders. This change is significant because it aligns with clients' increasing desire for holistic financial guidance that encompasses their entire financial situation rather than isolated transactions. The second statement typically points towards an increased emphasis on fiduciary responsibility – financial advisors are more frequently expected to act in the best interest of their clients, ensuring that the advice and services provided not only meet regulatory standards but also uphold ethical considerations and build trust with clients. This shift further enhances the advisor's role as a trusted partner in their client's financial journey. The third statement often mentions the growing importance of technology in the advisory space. The advent of robo-advisors and digital tools has changed how financial services are delivered, allowing advisors to enhance their services with data analytics, financial modeling, and client engagement platforms. This evolution means that advisors must now balance technological proficiency with their personal touch, adapting to these advancements to better serve their

2. What strategy will most effectively improve a client's cash flow?

- A. Improve investment return.
- B. Reduce flexible expenses and lengthen time frame for investments.
- C. Increase income and reduce expenses.**
- D. Contribute regularly to an emergency fund.

Increasing income and reducing expenses is the most effective strategy to improve a client's cash flow. This approach directly addresses both sides of the cash flow equation: by boosting income, the client earns more money, which increases available funds. Simultaneously, by cutting expenses, the client retains more of their income, effectively increasing disposable cash. Applying this strategy can involve various tactics, such as seeking a raise, taking on additional work, or finding ways to lower monthly bills and discretionary spending. This dual approach not only improves current cash flow but can also enhance financial stability by providing greater flexibility in managing finances, especially during unforeseen circumstances. While improving investment returns or contributing to an emergency fund can be beneficial in the long run, they do not provide immediate improvements to cash flow. Reducing flexible expenses and extending investment time frames also focuses on long-term benefits, which may not address current cash flow needs as directly as increasing income and reducing expenses.

3. When must the first repayment for the Lifelong Learning Plan be made after the first withdrawal?

- A. 30 days after withdrawal
- B. 60 days after the 5th year**
- C. 10 years from the first withdrawal
- D. 5 years from the first withdrawal

The correct answer regarding the first repayment for the Lifelong Learning Plan (LLP) is that it is due 60 days after the end of the 5th year following the first withdrawal. The Lifelong Learning Plan allows individuals to withdraw funds from their Registered Retirement Savings Plan (RRSP) to finance a qualifying education program, which is an important financial tool for those enhancing their skills or pursuing new educational opportunities. Upon making the first withdrawal, there is a grace period before repayments must begin. Specifically, the repayment schedule does not start immediately; instead, it allows for a period during which the individual can focus on their education. After the end of the 5-year period from the first withdrawal, individuals have to start repaying their LLP withdrawals, with the first repayment being due 60 days after that 5-year mark. This provides a clear structure for financial planning, ensuring that participants can prepare for the repayment phase after completing their education. This information aligns with the rules governing the LLP, emphasizing the planning involved in education financing and the importance of understanding the terms of repayment for such withdrawal programs.

4. What is Jamal's estimated annual pension upon retirement based on his defined-benefit pension plan?

- A. \$4,000
- B. \$4,640
- C. \$5,000
- D. \$5,900**

To determine Jamal's estimated annual pension upon retirement based on his defined-benefit pension plan, it's important to understand how defined-benefit plans work. These plans typically provide a fixed retirement benefit that is calculated based on factors such as years of service, salary, and other specific plan formulas. In this case, the estimated annual pension amount is calculated based on Jamal's length of service and earnings leading up to retirement. A benefit amount of \$5,900 suggests that the formula used likely reflects a longer service period or a higher average salary, characteristic of many defined-benefit plans which reward employees for loyalty and consistent contribution over time. This figure is significant in that it reflects the intended income Jamal can expect to receive regularly once he retires, which can be a critical element in planning his overall financial strategy in retirement. It provides a stable income source that can help cover living expenses without the need for Jamal to rely purely on personal savings or investment accounts for his retirement needs. In contrast, lower amounts such as \$4,000, \$4,640, or \$5,000 would typically imply either a shorter duration of service, lower final salary, or less favorable terms within the pension plan structure, which would not accurately represent Jam

5. Why is understanding your risk tolerance crucial in financial planning?

- A. It determines how much insurance one should buy
- B. It influences investment strategy and choices**
- C. It helps minimize tax liabilities
- D. It ensures compliance with laws

Understanding your risk tolerance is vital in financial planning because it directly influences your investment strategy and choices. Risk tolerance refers to the degree of variability in investment returns that an investor is willing to withstand in their investment portfolio. When creating a financial plan, recognizing a client's risk tolerance helps tailor their investment allocations to align with their comfort level regarding potential losses or volatility in the market. For instance, an individual with a high-risk tolerance may be more inclined to invest in equities or other higher-risk assets that have the potential for greater returns but also come with increased volatility. Conversely, someone with a low-risk tolerance may prefer safer investments, such as bonds or money market funds, that provide stability but typically lower returns. This understanding serves as a foundation for developing a portfolio that not only aims to meet financial goals but also is sustainable over the long term without causing the investor undue stress during market fluctuations. Therefore, accurately assessing and understanding risk tolerance is essential for constructing an investment strategy that the investor is comfortable with, enhances the likelihood of staying invested through various market cycles, and ultimately supports achieving financial objectives. The other choices address important aspects of financial planning as well but do not encapsulate the central role risk tolerance plays in guiding investment decisions. For example, while insurance coverage

6. How are taxable employee benefits classified in terms of tax obligations?

- A. The benefit amount is included in the employee's income.**
- B. The benefit amount is part of the employee's pension adjustment calculation.
- C. The employee receives a tax credit for taxable employee benefits.
- D. A two-year vesting period is required for these benefits.

The classification of taxable employee benefits as included in the employee's income is important to understand because it directly affects how employees report their income to tax authorities. When an employer provides a benefit that is considered taxable, such as bonuses, certain allowances, or various perks, these amounts are added to the employee's gross income. This means the employee will pay income tax based on their total earnings, which now include the value of those benefits. This treatment ensures that all forms of compensation, not just regular salary, are recognized for tax purposes, reflecting the true financial situation of the employee. It highlights the principle that compensation includes benefits that have tangible value. In contrast, some of the options suggest different classifications that do not accurately align with how the IRS and tax systems typically treat taxable benefits. For instance, pension adjustments are related to retirement plans and do not apply to general taxable benefits, while tax credits for such benefits do not exist in most cases, as benefits are typically taxable, not eligible for a credit. Additionally, the mention of a vesting period pertains to retirement plans or stock options but does not apply here since it doesn't directly relate to the classification of taxable employee benefits.

7. Until what age can a client's RRIF legally remain open?

- A. Until age 69
- B. Until age 80
- C. Until age 90
- D. There is no maximum age**

A Registered Retirement Income Fund (RRIF) allows individuals to withdraw funds from their registered retirement savings as a source of income during retirement. The key aspect of RRIFs is that there is no legally mandated maximum age at which the account must be closed. This flexibility allows clients to maintain their RRIFs for as long as they wish, as long as they adhere to the withdrawal requirements set out by the Canada Revenue Agency (CRA). While there are specific age thresholds that influence when individuals must convert their Registered Retirement Savings Plans (RRSPs) into RRIFs—typically by the end of the year in which they turn 71—this does not apply to the closure of a RRIF. Individuals can continue to receive income from their RRIF indefinitely. Therefore, the idea that there is a maximum age for keeping a RRIF open is incorrect. This option reflects a fundamental understanding of retirement income planning and the regulations governing RRIFs, which emphasizes the importance of financial flexibility in managing retirement savings.

8. What does the term "taxable benefits" refer to in employment income?

- A. Benefits that are exempt from taxation.
- B. All benefits that are included in taxable income.**
- C. Only cash benefits provided by the employer.
- D. All benefits with a specified exemption limit.

The term "taxable benefits" refers to benefits provided by an employer that are included in an employee's taxable income. This means that these benefits are considered part of the total compensation package and are subject to income tax, similar to wages or salary. Taxable benefits can encompass a wide range of items, such as company cars, bonuses, health insurance premiums provided by the employer, and certain allowances. The notion that taxable benefits are all benefits included in taxable income is important for tax planning and financial decision-making. It highlights that certain non-cash benefits or fringe benefits can have implications for a taxpayer's overall tax liability. Understanding how taxable benefits are defined and reported is crucial for both employers and employees in managing financial obligations and maximizing tax efficiency. This clarity enables individuals to assess their total compensation accurately and plan for their tax responsibilities effectively.

9. Which type of insurance can be extended without medical evidence at the end of the term?

- A. Level term insurance.
- B. Decreasing term insurance.
- C. Convertible term insurance.
- D. Renewable term insurance.**

Renewable term insurance is designed to allow policyholders to extend their coverage at the end of the term without the need for medical evidence. This means that upon renewal, the insurer cannot require the policyholder to undergo a new medical examination or provide additional health information, regardless of any changes in health status since the original policy was taken out. This feature is particularly valuable for individuals who may develop health issues later, ensuring they can still obtain coverage without facing additional underwriting hurdles or higher premiums. In contrast, the other types of insurance listed do not offer the same advantages. Level term insurance typically defines a fixed death benefit amount for a specific term but does not guarantee renewal without underwriting. Decreasing term insurance, which often aligns with declining financial obligations like a mortgage, also does not facilitate renewal without medical evidence; in fact, it is structured to decrease in value over time. Convertible term insurance allows conversion to a permanent policy, but this process often involves some level of medical evaluation depending on the insurer's guidelines. Thus, renewable term insurance stands out because of its unconditional renewal feature, making it a favorable option for maintaining life insurance coverage.

10. What is commonly used in lieu of Letters Probate for small estates?

- A. Affidavit of Execution of the Will
- B. Letter of Indemnity**
- C. Power of Attorney
- D. Living Will

The appropriate document commonly used instead of Letters Probate for small estates is an Affidavit of Execution of the Will. This affidavit serves as proof that the will was duly executed, which can simplify the process of estate administration when the estate's value falls below a certain threshold that allows for a less formal probate process. When an estate is small enough, administering it through a more streamlined procedure can provide significant benefits, such as reduced costs and quicker resolution. The Affidavit of Execution acknowledges that the will was properly signed and witnessed, allowing a designated executor or administrator to proceed with fulfilling the terms of the will without the need for a formal probate court proceeding. The other options do not fulfill the same role as the Affidavit of Execution of the Will. A Letter of Indemnity typically serves to protect one party from loss or damage under certain circumstances, a Power of Attorney is a legal document that grants someone authority to act on another's behalf, and a Living Will outlines a person's wishes regarding medical treatment in situations where they cannot communicate those wishes. Each of these documents serves specific functions that do not relate to the administration of a deceased person's estate in the context of avoiding formal probate procedures.

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://financialplanning1.examzify.com>

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

SAMPLE