FP Canada Qualified Associate Financial Planner (QAFP) Practice Test (Sample)

Study Guide

BY EXAMZIFY

Everything you need from our exam experts!

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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

1. **Which statement correctly contrasts an Immediate Annuity with a Deferred Annuity?**
   - A. Immediate annuity payments begin immediately after purchase; deferred annuity payments begin in the future.
   - B. Immediate annuity defers payments; deferred annuity payments begin immediately.
   - C. Both begin immediately; only the payment amounts differ.
   - D. There is no difference in timing of payments.

2. **If someone has been diagnosed with an illness and may not be insurable, converting group coverage is considered a good idea for what reason?**
   - A. It allows continued coverage despite insurability issues
   - B. It guarantees lower premiums
   - C. It provides coverage for only a short term
   - D. It eliminates the need for health checks in the future

3. **Dividends' accumulation in a policy refers to which of the following?**
   - A. Dividends accumulate as part of the policy
   - B. Dividends are paid out immediately on receipt
   - C. Dividends reduce the death benefit
   - D. Dividends must be reinvested in stock

4. **Under the Home Buyers' Plan, what is the maximum borrowing amount per RRSP?**
   - A. $20,000
   - B. $25,000
   - C. $35,000
   - D. $40,000

5. **Which annuity is described as tax efficient and spreads tax obligations evenly across the life of the payments?**
   - A. Integrated Annuity
   - B. Prescribed Annuity
   - C. Indexed Annuity Payments
   - D. Split Annuity Strategy

6. **Which statistic is most directly used to quantify the volatility of investment returns?**

   A. R-squared

   B. Mean

   C. Standard deviation

   D. Beta

7. **After the first year, how much is the CLB grant paid in each subsequent year up to 15 years?**

   A. $50

   B. $100

   C. $150

   D. $200

8. **Which statement correctly contrasts joint tenancy with tenancy in common?**

   A. Joint tenancy includes right of survivorship; tenancy in common does not

   B. Tenancy in common includes right of survivorship; joint tenancy does not

   C. Both always have equal ownership shares

   D. Both require all co-owners to agree on transfers

9. **When is it a good idea to convert group coverage?**

   A. If someone has suffered from an illness/disease converting group coverage is a good option. They may not be insurable.

   B. If someone has a clean health record, convert to group coverage later.

   C. Only if premiums drop after conversion.

   D. Conversion is generally not recommended.

10. **Which annuity bases its payments on a shortened life expectancy?**

   A. Impaired Life Annuity

   B. Prescribed Annuity

   C. Participating Annuity

   D. Indexed Annuity Payments

Answers

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

Explanations

1. **Which statement correctly contrasts an Immediate Annuity with a Deferred Annuity?**

   A. Immediate annuity payments begin immediately after purchase; deferred annuity payments begin in the future.

   B. Immediate annuity defers payments; deferred annuity payments begin immediately.

   C. Both begin immediately; only the payment amounts differ.

   D. There is no difference in timing of payments.

The timing of the payout stream is what distinguishes these two products. An immediate annuity converts a lump sum into a guaranteed income stream that begins right after purchase, typically soon after funding the contract. A deferred annuity, on the other hand, accumulates value during a deferral period and starts making payments at a future date you choose. This setup means immediate annuities are used when you want income now, while deferred annuities provide time to grow the account and postpone income until later (often with tax-deferred growth inside the contract). The other statements confuse when payments start, so they don't align with how these products are designed.

2. **If someone has been diagnosed with an illness and may not be insurable, converting group coverage is considered a good idea for what reason?**

   A. It allows continued coverage despite insurability issues

   B. It guarantees lower premiums

   C. It provides coverage for only a short term

   D. It eliminates the need for health checks in the future

Converting group coverage is valuable because the conversion privilege allows you to switch from a group policy to an individual policy without evidence of insurability at the time of conversion. If you've been diagnosed with an illness, that underwriting hurdle can prevent you from obtaining new coverage. By converting, you preserve your protection and avoid a gap in coverage, even though your health status might be uninsurable for new policies. Keep in mind that the new policy's premium is typically based on your age and health at the time of conversion, so it may not be cheaper and can be higher than your previous group rates. The conversion often provides long-term protection, not just a short-term fix, and while underwriting is waived at the moment of conversion, future applications for additional coverage could still involve health questions. The bottom line is that it maintains coverage when insurability is in doubt.

3. **Dividends' accumulation in a policy refers to which of the following?**

   A. Dividends accumulate as part of the policy

   B. Dividends are paid out immediately on receipt

   C. Dividends reduce the death benefit

   D. Dividends must be reinvested in stock

Dividends' accumulation means leaving the dividend credits inside the policy so they grow there, increasing the policy's cash value (and potentially the death benefit) rather than being paid out to you immediately. In participating policies, when a dividend is declared, you can choose to have it accumulate within the policy, which lets it earn interest and compound over time. This is different from taking the dividend in cash or using it to reduce premiums or buy paid-up additions; the key idea is that the dividend stays inside the policy to build value. It doesn't reduce the death benefit, and dividends aren't required to be reinvested in stock.

4. **Under the Home Buyers' Plan, what is the maximum borrowing amount per RRSP?**

   A. $20,000

   B. $25,000

   C. $35,000

   D. $40,000

Under the Home Buyers' Plan you can withdraw funds from your RRSP to buy or build a home, up to a specific limit. The maximum you can withdraw is $35,000 in total from your RRSPs. If you're purchasing with a spouse or partner, each of you can withdraw up to $35,000, giving a potential combined total of $70,000 for the household. The withdrawn amount must be repaid to the RRSP over 15 years, starting the second year after the withdrawal; if you don't repay, the shortfall is included as taxable income for the year.

5. **Which annuity is described as tax efficient and spreads tax obligations evenly across the life of the payments?**

   A. Integrated Annuity

   B. Prescribed Annuity

   C. Indexed Annuity Payments

   D. Split Annuity Strategy

Spreading tax obligations evenly across the life of the payments is a feature of a prescribed annuity. In Canada, a prescribed annuity is structured so that each payment is divided into a return of capital and an interest portion, with the ratio set so that the total tax payable is distributed over the entire payout period. This means you report a relatively steady amount of taxable income each year, rather than facing a large tax hit in a single year. The result is more predictable after-tax cash flow, which is especially helpful for retirees managing fixed incomes. Other annuity types described have different primary goals—some tie payments to an index, others focus on income-splitting strategies or coordinating with government benefits—so they don't inherently guarantee the same even, tax-efficient spread across the lifetime of the payments.

6. Which statistic is most directly used to quantify the volatility of investment returns?

A. R-squared

B. Mean

C. Standard deviation

D. Beta

Volatility measures how much investment returns swing from one period to the next. The statistic that directly captures that swing is the standard deviation, which measures how far individual returns typically lie from the average return. A larger standard deviation means returns are more dispersed and less predictable, i.e., more volatile. R-squared looks at how well a model or benchmark explains the returns, not how spread out the returns are. The mean is simply the average return, not its variability. Beta indicates sensitivity to market movements (systematic risk), not the overall dispersion of returns. So, the standard deviation is the best direct measure of volatility.

7. After the first year, how much is the CLB grant paid in each subsequent year up to 15 years?

A. $50

B. $100

C. $150

D. $200

The CLB is designed to boost a child's RESP with a fixed annual grant after the initial amount. When an eligible child's RESP is opened, a one-time $500 grant is provided, and then $100 is paid for each subsequent year the plan is active, up to 15 years. So after the first year, the grant is $100 each year in the remaining years. This is why the correct choice is $100. The other amounts don't align with the program's structure, which specifies a flat $100 per year after the initial $500.

8. Which statement correctly contrasts joint tenancy with tenancy in common?

A. Joint tenancy includes right of survivorship; tenancy in common does not

B. Tenancy in common includes right of survivorship; joint tenancy does not

C. Both always have equal ownership shares

D. Both require all co-owners to agree on transfers

The main idea is the right of survivorship. In a joint tenancy, co-owners hold equal, undivided interests plus a right of survivorship, so when one owner dies, the deceased's share automatically passes to the surviving co-owners, not to the deceased's heirs. This survivorship feature also helps avoid probate for the deceased owner's portion and keeps the ownership pool intact among the survivors. Tenancy in common does not have this survivorship right. Each owner has a separate, transferable share that can be unequal, and upon death that share goes to the deceased owner's estate or heirs rather than to the other co-owners. Because of this fundamental difference in what happens at death and how shares can be held, the statement distinguishing joint tenancy's survivorship from tenancy in common's lack of survivorship is the correct contrast. The other ideas don't fit: ownership shares in joint tenancy are typically equal, whereas tenancy in common can be unequal; and transfers do not require all co-owners to unanimously agree in either arrangement, though severance can affect joint tenancy.

9. When is it a good idea to convert group coverage?

A. If someone has suffered from an illness/disease converting group coverage is a good option. They may not be insurable.

B. If someone has a clean health record, convert to group coverage later.

C. Only if premiums drop after conversion.

D. Conversion is generally not recommended.

The idea being tested is how a conversion option protects your coverage when health changes make obtaining insurability difficult. When someone has suffered illness, they may not be insurable for a new individual policy. Group coverage often includes a conversion feature that lets you move to an individual policy without going through new medical underwriting, preserving coverage even if health has deteriorated. This is why converting in this situation is considered a good idea—the protection continues, even though you might face higher premiums later or different terms. Choosing to convert only because health is clean isn't as strong a rationale, since healthy individuals can usually obtain standard individual coverage with underwriting if they choose. Premiums aren't guaranteed to drop after conversion; in fact, they can be higher due to age and loss of group pricing. And saying conversion is generally not recommended ignores the practical protection it provides when insurability is a concern.

10. Which annuity bases its payments on a shortened life expectancy?

A. Impaired Life Annuity

B. Prescribed Annuity

C. Participating Annuity

D. Indexed Annuity Payments

An annuity that bases payments on a shortened life expectancy uses health-related mortality assumptions to determine higher ongoing payments. With an impaired life annuity, the insurer recognizes a reduced lifespan and calculates payments accordingly, so the annuitant receives larger payments because the expected payout period is shorter. This contrasts with other annuity types that don't tie payments to a person's shortened life expectancy—indexed annuities adjust for inflation, participating annuities reflect insurer investment results, and prescribed annuities follow tax rules rather than individual health-based life expectancy.

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://fpcanadaqafp.examzify.com

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