

Advisor Advice Accelerator Answer Key

If you're the type of student who likes to review the answer key after the big quiz — here you go! Review this PDF and look on the website results to assess your areas of strength and potential growth.

Reach out to us to begin or restart your lifelong learning journey. Expand your opportunities with us!

- Which of the following coverages provides the greatest protection for a family against the risk of a lawsuit?
 - Auto liability policy
 - Homeowners' liability policy
 - Medical insurance policy
 - D. Umbrella policy**
- What is the maximum percentage of consumer debt permissible to qualify for a mortgage on a home?
 - 20%
 - 26%
 - 30%
 - D. 36%**
- Blake was awarded 1,000 shares of restricted stock of Acme Corporation at a time when the stock price was \$7. Assume Blake properly makes an 83(b) election at the date of the award. The stock vests 3 years later at a price of \$19 and Blake sells it then. What are Blake's tax consequences in the year he sells the stock?
 - Blake has W-2 income of \$19,000
 - B. Blake has a long-term capital gain of \$12,000**
 - Blake has W-2 income of \$12,000
 - Blake has a \$19,000 long-term capital gain

4. Which of the following is an example of a qualified retirement plan?
- A. A cash or deferred arrangement (CODA)
 - B. A public 457(b) plan
 - C. An employee stock ownership plan (ESOP)**
 - D. An incentive stock option (ISO) plan
5. Which of the following is true of over-the-counter markets but not of organized exchanges?
- A. Trading may occur after regular business hours**
 - B. They allow investors to trade in equities
 - C. Retail investors may trade with both each other and with institutional investors
 - D. Trading happens electronically
6. What are the assumptions of neoclassical, traditional economic finance theory?
- A. Emotional investing, reflecting firm conviction, will lead to outperformance
 - B. It is possible to outperform the market by being proactive
 - C. Market prices vary based on investor sentiment
 - D. Investors have full information and knowledge in making investment decisions and have rational preferences. Markets are efficient.**
7. All of the following statements about building rapport and credibility with a prospective client are correct **EXCEPT**:
- A. Establishing rapport depends mainly on your ability to explain the technical aspects of your products and services**
 - B. Fear of making a decision is one possible cause of tension that must be resolved before you can establish rapport
 - C. Watching your verbal pace and monitoring nonverbal behaviors can help you build rapport with a prospective client
 - D. Interacting with people based on their personality style will help you achieve better communication and build rapport
8. All of the following are important aspects of confirming that a prospective client wants to do business with you **EXCEPT**:
- A. Ask for the sale when the buying signals are red so you know where you stand and can move on if the answer is no**
 - B. Once prospective clients indicate interest, you can ask a simple question such as, "What is our next step?"
 - C. When prospective clients speak in ways that indicate they are ready to buy, stop talking and confirm the sale
 - D. Asking checking questions throughout your presentation will help you gauge prospective clients' interest in your solutions

9. Which of the following statements regarding goal setting is correct?
- A. Achieving goals relies on the discipline of waiting to make choices until the moment of choice arrives
 - B. Avoid dividing each goal into manageable parts because it will distract you from the big picture
 - C. With a creating approach, you set goals by envisioning what you want without regard to your currently perceived resources and capabilities**
 - D. You should set stretch goals, which are doable and achievable based on your past achievement and present resources
10. The preferred formula or method for determining the value of a professional corporation with few assets and significant income is which of the following:
- A. Multiple of total income
 - B. Adjusted book value
 - C. Capitalized earnings formula**
 - D. Average of multiple appraisals
11. A partial withdrawal of cash value or account value from a permanent life insurance policy that is not a Modified Endowment Contract will be treated under the cost recovery rule as:
- A. Investment gain first (LIFO)
 - B. Cost basis first (FIFO)**
 - C. Half gain and half cost basis
 - D. A nonrecognition transaction
12. The maximization of what many advisors refer to as “double duty” dollars refers to all the following **EXCEPT**:
- A. Funding nonqualified deferred compensation plans
 - B. Borrowing from accounts receivables to pay key person bonuses
 - C. Funding a business continuation plan in a partnership or corporation
 - D. Funding both a. and c. above with a single product**
13. An investor who wishes to lock in gains in his winning stock investments while leaving his losing stocks alone until they return to their original purchase price is exhibiting:
- A. Harmful behavior referred to as the disposition effect**
 - B. Optimal behavior through appropriate rebalancing
 - C. Harmful behavior referred to as the endowment effect
 - D. Optimal behavior through risk tolerant trading
14. Which of the following statements is correct about historical investment performance?
- A. Growth stocks earn higher risk-adjusted returns than value stocks
 - B. Recent winning stocks tend to outperform in the short run**
 - C. A portfolio of high-yield bonds and stocks will have a higher Sharpe Ratio than a portfolio of Treasury bonds and stocks
 - D. Large companies consistently outperform small companies

15. Which of the following is a correct statement about optimizing net returns through asset location?
- A. Active ETFs should be held in non-qualified accounts while passive ETFs should be held in qualified accounts
 - B. Passive equity mutual funds are more attractive in a traditional IRA than REITs
 - C. An investor who expects to withdraw savings at a higher marginal tax rate in the future should prefer investing in a traditional IRA instead of a Roth
 - D. Net returns on basis assets rise as the ratio of capital gains to original purchase price increases**
16. All of the following help to explain why modern portfolio theory is less equipped to solve the retirement investing problem **EXCEPT**:
- A. Retirees must solve a repeated asset allocation problem over multiple periods of time
 - B. Retirees must fund a spending goal from their portfolio
 - C. Retirees may have a spending goal that grows with inflation
 - D. Retirees face a primary objective to maximize risk-adjusted returns to their portfolio**
17. The sustainable spending rate increases for all of the following reasons **EXCEPT**:
- A. The investment return increases
 - B. The retirement horizon increases**
 - C. The desired remaining wealth at the end of retirement decreases
 - D. None of the above
18. Medicare will stop paying partial support for skilled nursing home care after how many days?
- A. 20 days
 - B. 90 days
 - C. 100 days**
 - D. 14 days
19. Which tool is best suited to transfer an asset to heirs in a controlled manner?
- A. CRT
 - B. CLT**
 - C. DAF
 - D. Private foundation
20. Which of these is the smallest source of donated revenue for nonprofits?
- A. Living individuals
 - B. Private foundations
 - C. Corporations**
 - D. Bequests

21. A philanthropic gift planner is working with a wealthy donor who is on the board of a small nonprofit. He would like to set aside an endowment for the charity, but is concerned that the organization might go out of business. He has highly appreciated raw land that he would like to give. He is 85 years old. What would be the best suggestion?
- A. Consider giving the land to a community foundation to create an endowment fund earmarked for the charity, but with a provision that, should the initial charity fail, the funds will support other charities that are similar. Let the CF provide oversight after the donor is gone.**
- B. Set up a private foundation and make ongoing grants to the charity
- C. Set up a donor-advised fund to make grants in perpetuity
- D. Give the land directly to the charity and have them manage their own endowment
22. Which of the following considerations in establishing a self-funded or “payback” special needs trust is incorrect?
- A. The trust must be created irrevocably and funded for the benefit of an individual with a disability under age 65
- B. The trust may be used for the benefit of the individual with special needs and other individuals as determined by the trustee**
- C. The trust must be created by the beneficiary’s parent, grand-parent, competent beneficiary, guardian or a court
- D. The trustee should have discretion to pay, or refuse to pay, resources of the trust to the beneficiary.
23. John Apple’s adjusted gross income for the year was \$50,000 (inclusive of the retirement plan distribution). During the current year, he incurred \$18,500 in unreimbursed medical expenses on behalf of his child with special needs. In order to pay for his son’s medical care, Bart requested a retirement plan distribution of \$16,000. John is 45 years old. What amount, if any, of the retirement plan distribution can escape the 10% penalty for premature retirement plan distributions?
- A. \$16,000
- B. \$0
- C. \$14,750**
- D. \$18,500
24. All of the following statements concerning Supplemental Security Income (SSI) and Medicaid are correct **EXCEPT**:
- A. Financially needy, elderly, blind, and disabled persons can receive up to \$2,000 monthly. Couples can receive up to \$4,000.
- B. Resource limit of \$2,000 for single applicant (\$3,000 for couples)**
- C. Parental income and resources deemed available for children under 18 living with parents
- D. Individuals who qualify for SSI automatically receive Medicaid in some states

25. What is the difference between Leadership and Management?
- A. Managers maximize opportunity; Leaders minimize risk
 - B. Leaders use personal power; Managers use personal influence
 - C. Managers maintain stability and create a culture of efficiency; Leaders create change and a culture of agility and integrity**
 - D. Leaders typically have an expert mind; Managers have an open mind
26. Which of the following words relates to a tendency to regard one's own group, culture, or nation as superior to others, such as sometimes occurs in a selective club, religious sect, or political organization?
- A. Ethnocentrism**
 - B. Prejudice
 - C. Discrimination
 - D. Stereotype
27. The components of a Strategic Business Plan include all of the following EXCEPT:
- A. Values
 - B. Concepts**
 - C. Vision
 - D. Action Plan
28. Leadership is something that occurs when all of the following intersect **EXCEPT** ____.
- A. Followers
 - B. Situations
 - C. Manager**
 - D. Leader
29. Leadership can best be described as:
- A. Managing for results
 - B. Supervising others
 - C. Influencing others toward achieving goals**
 - D. Controlling actions of others
30. Which is not a key principle of Servant Leadership?
- A. Listening
 - B. Blind Spots**
 - C. Conceptualization
 - D. Self-Awareness
31. How do you avoid friction or overcome bias while working with clients?
- A. Avoid taking clients with bias
 - B. Avoid herd instinct or FOMO**
 - C. Avoid investing in the market
 - D. Avoid 'postmortems' review

32. A married couple each have accumulated a significant amount of assets. They like to hear your thoughts and get your opinion on revocable trusts. What is the best option to do next?
- A. Provide additional information in special situations that would determine their use
 - B. Describe the benefits and opportunities of using a revocable trust
 - C. Describe the disadvantages and opportunity costs
 - D. All of the above**

33. What are the advantages of using multiples when valuing a business?
- A. Simplifies complex information into a single number
 - B. A static value of the company for a certain period
 - C. Captures certain intangibles that provide value to the business**
 - D. Take other financial assets into consideration