CFP ETHICS PRACTICE TEST (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.

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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!

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Questions

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1. **If a CFP has a close family relationship with a client or colleague, what must be done to maintain ethics?**

   A. Continue as normal.

   B. Disclose the relationship; recuse from decisions where bias could occur; or seek independent arrangement; maintain fairness.

   C. End the relationship.

   D. Avoid all communications.

2. **When there is an emergency that demands rapid advice, what is the ethical approach?**

   A. Provide services to the extent possible with due care, document emergency context, and provide full disclosure and confirmation afterward; obtain consent for emergency actions.

   B. Refuse to act.

   C. Delay until full assessment.

   D. Ignore regulatory requirements.

3. **Under which scenario is it permissible to disclose client information to prevent imminent harm to third parties?**

   A. If there is a reasonable belief that disclosure is necessary to prevent significant harm and is legally permissible.

   B. Disclose only with the client's explicit consent.

   C. Disclose information at your discretion to mitigate risk.

   D. Disclose information publicly to alert others.

4. **Which statement best describes how to disclose outside business activities involving client data?**

   A. Disclose after the fact and obtain oral consent.

   B. Disclose the OBA to clients and obtain written consent; ensure it does not impair impartiality or create a material conflict.

   C. Disclose only to the firm.

   D. Avoid discussing it with the client to preserve objectivity.

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5. When recommending a custodian for assets, what duty does the CFP have?

A. Ensure custodian is registered with the state.

B. Ensure custodian is qualified, reputable, and aligns with client's best interests and confidentiality.

C. Ensure custodian offers the lowest fees regardless of quality.

D. Ensure custodian is the largest firm.

6. According to CFP Board guidelines, a financial planning engagement may exist when a client requests which of the following?

A. Health insurance

B. Comprehensive retirement plan

C. Simple budgeting

D. Tax filing alone

7. Under the utmost good faith standard, which of the following elements would be included in presenting recommendations to a client?

A. II, III

B. I, II

C. II, III, IV

D. I, II, III

8. Which of the following is a permissible reason to disclose confidential information without client consent?

A. All of the above

B. To defend against charges of wrongdoing

C. To comply with legal process

D. In connection with civil dispute between certificant and client

9. Which statement accurately describes information sharing during implementation?

A. It is optional and rarely used

B. It should be kept confidential under all circumstances

C. Sharing information as authorized is standard practice

D. It is never subject to client authorization

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10. When a client asks you to review his or her tax return for free, what is the appropriate action?

A. Terminate the relationship

B. Tell Tim reviewing his tax return is not part of your mutual agreement to provide services

C. Ask Tim for permission to talk to his CPA about the 1040 return

D. Tell Tim you will review the tax return and come back with an answer

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Answers

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

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Explanations

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1. If a CFP has a close family relationship with a client or colleague, what must be done to maintain ethics?

A. Continue as normal.

B. Disclose the relationship; recuse from decisions where bias could occur; or seek independent arrangement; maintain fairness.

C. End the relationship.

D. Avoid all communications.

Having a close family relationship with a client or colleague can create a real risk that personal ties influence professional judgment. The ethical answer is to be transparent about the relationship, step back from decisions where bias could affect outcomes, and arrange for an independent arrangement to preserve fairness. Disclosing the relationship allows all parties to be aware of the potential bias; recusing from decisions where bias could occur prevents your personal ties from shaping recommendations or actions; seeking an independent arrangement brings objectivity into the process and protects the client's interests; and maintaining fairness means treating the client no differently from others and avoiding any preferential treatment. This approach upholds fiduciary duties and professional standards. Simply continuing as normal, ending the relationship, or avoiding all communications do not adequately address the risk of bias or protect the client's interests.

2. When there is an emergency that demands rapid advice, what is the ethical approach?

A. Provide services to the extent possible with due care, document emergency context, and provide full disclosure and confirmation afterward; obtain consent for emergency actions.

B. Refuse to act.

C. Delay until full assessment.

D. Ignore regulatory requirements.

In emergencies that demand rapid advice, the ethical obligation is to protect the client's interests by acting promptly within what is feasible, while handling the situation with due care, and then documenting what happened and seeking confirmation or consent afterward. Providing guidance immediately helps prevent harm and preserves trust, even when all information isn't available at once. This means you offer the necessary services to the extent possible, explain the emergency context, and then provide full disclosure and confirmation after the fact, including obtaining consent for actions taken under the emergency. This approach aligns with the fiduciary duty to act in the client's best interests and with standards that recognize the need for swift action when time is critical. Refusal to act would leave the client unprotected in a crisis. Delaying until a full assessment is possible can result in harm, and ignoring regulatory requirements breaches professional standards and can expose you and the client to risk.

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3. Under which scenario is it permissible to disclose client information to prevent imminent harm to third parties?

A. If there is a reasonable belief that disclosure is necessary to prevent significant harm and is legally permissible.

B. Disclose only with the client's explicit consent.

C. Disclose information at your discretion to mitigate risk.

D. Disclose information publicly to alert others.

When confidentiality is the default, there is a recognized exception for imminent risk of significant harm to others. The correct approach is to disclose only when you have a reasonable belief that disclosure is necessary to prevent that harm and that doing so is legally permissible. This balances protecting client confidentiality with a duty to protect potential victims, and it limits the disclosure to what is needed and to appropriate recipients (such as authorities or the person at risk). Why the other ideas don't fit: requiring explicit client consent in every case ignores the urgent need to act when harm could occur soon; leaving the decision to your discretion is too vague and risks either under- or over-sharing; disclosing information publicly would breach confidentiality and unnecessarily expose the client and others to risk.

4. Which statement best describes how to disclose outside business activities involving client data?

A. Disclose after the fact and obtain oral consent.

B. Disclose the OBA to clients and obtain written consent; ensure it does not impair impartiality or create a material conflict.

C. Disclose only to the firm.

D. Avoid discussing it with the client to preserve objectivity.

When dealing with outside business activities that involve client data, the principle at stake is transparency and managing conflicts of interest so clients can make informed decisions about the advice they receive. The correct approach is to disclose the nature of the outside business activity to the client and obtain written consent. This keeps the client informed about any potential effects on the advisor's independence and ensures there is an explicit record of the client's agreement. The disclosure must occur before any involvement with the client's data in the outside activity and should be documented in writing. Written consent provides a clear, enforceable record that the client understands the relationship and any potential implications for objectivity. At the same time, the activity must not impair impartiality or create a material conflict of interest; if it does, the arrangement isn't appropriate, even with consent. Other options fall short because they either delay disclosure, rely only on oral consent without a written record, or keep the client in the dark about what could affect the advice. Similarly, discussing the OBA only with the firm omits the primary obligation to inform and obtain consent from the client, which is essential to uphold trust and fiduciary duties.

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5. When recommending a custodian for assets, what duty does the CFP have?

A. Ensure custodian is registered with the state.

B. Ensure custodian is qualified, reputable, and aligns with client's best interests and confidentiality.

C. Ensure custodian offers the lowest fees regardless of quality.

D. Ensure custodian is the largest firm.

The duty being tested is the CFP's fiduciary obligation to act in the client's best interests when recommending a custodian. This means performing due diligence to ensure the custodian is qualified and reputable, and that the arrangement serves the client's objectives while protecting their confidentiality. In practice, this involves checking that the custodian has solid regulatory standing and financial stability, and that it has strong privacy and information-security practices to safeguard client data. The recommendation should align with the client's needs, risk tolerance, and long-term goals, not simply focus on fees, size, or whether the custodian is registered somewhere. So the best match is choosing a custodian that is qualified, reputable, and capable of protecting the client's interests and confidentiality.

6. According to CFP Board guidelines, a financial planning engagement may exist when a client requests which of the following?

A. Health insurance

B. Comprehensive retirement plan

C. Simple budgeting

D. Tax filing alone

The idea being tested is that a financial planning engagement exists when a client seeks an integrated, comprehensive plan rather than a single service. A comprehensive retirement plan fits this because it requires coordinating multiple aspects of a person's finances—investments, income strategies, taxes, insurance or risk management, and estate considerations—to meet retirement goals. It represents an overarching plan that integrates these areas, which is what CFP Board defines as a financial planning engagement. In contrast, requesting health insurance is about obtaining a specific product, not an integrated plan. Simple budgeting is a narrow service focused on expenses and savings rather than a coordinated, long-term plan. Tax filing alone is a compliance service, not a planning engagement.

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7. Under the utmost good faith standard, which of the following elements would be included in presenting recommendations to a client?

A. II, III

B. I, II

C. II, III, IV

D. I, II, III

When you present a recommendation under utmost good faith, the emphasis is on transparent reasoning and alignment with the client's goals. You should clearly show why a particular course of action makes sense for the client, and you should connect that choice to the client's actual objectives, circumstances, and risk preferences. Explaining the basis for the recommendation means laying out the data, analyses, and assumptions that led you to this specific suggestion. It's not enough to say "this is best"—you reveal the why: what factors were considered, how they were weighed, and why this option fits the client's situation. That transparency helps the client assess the rationale and judge whether the recommendation is sound. Explaining how the recommendation matches the client's goals and needs ensures you're treating the client's interests as the guiding force. By showing you accounted for their objectives, time horizon, constraints, and risk tolerance, you demonstrate that the advice is suitable rather than generic. Other elements, such as disclosures of conflicts, fees, or alternatives, are important for a comprehensive engagement, but the essence of utmost good faith in presenting a recommendation centers on the combination of a clear, data-backed basis and a direct demonstration that the advice serves the client's unique goals.

8. Which of the following is a permissible reason to disclose confidential information without client consent?

A. All of the above

B. To defend against charges of wrongdoing

C. To comply with legal process

D. In connection with civil dispute between certificant and client

Confidentiality isn't absolute; there are defined circumstances where you may disclose information without client consent. One such circumstance is defending yourself against charges of wrongdoing—the rules allow you to disclose what's needed to respond to disciplinary or legal accusations. Another is complying with legal process—subpoenas, court orders, or other mandatory legal requirements permit disclosure. A third is handling civil disputes between you and a client, where disclosing necessary information may be required to resolve the matter, typically under protections like relevance and any court-imposed safeguards. Because these specific, permissible situations are all recognized, the correct choice is that all of the above apply.

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9. Which statement accurately describes information sharing during implementation?

A. It is optional and rarely used

B. It should be kept confidential under all circumstances

C. Sharing information as authorized is standard practice

D. It is never subject to client authorization

When putting a financial plan into action, sharing information with the people who help implement it is normal, but it must be done with the client's authorization and only to the extent needed. This means you can share relevant details with custodians, investment managers, accountants, attorneys, or other advisers who are involved in carrying out the plan, and you should do so only after obtaining clear consent that specifies who may receive what information and for what purpose. Documenting this authorization, usually in writing, helps protect the client's confidentiality while enabling effective implementation. This is why the statement about sharing information as authorized being standard practice is the best fit. It recognizes that information needs to flow to execute the plan, but it emphasizes that the client controls that flow through authorization and that the sharing should be limited to what's necessary. The other options suggest sharing is optional, always confidential, or never subject to authorization, which conflicts with the ethical duty to obtain consent and share only what is required to implement the plan.

10. When a client asks you to review his or her tax return for free, what is the appropriate action?

A. Terminate the relationship

B. Tell Tim reviewing his tax return is not part of your mutual agreement to provide services

C. Ask Tim for permission to talk to his CPA about the 1040 return

D. Tell Tim you will review the tax return and come back with an answer

Clear expectations about scope and fees before providing services is the principle at play. When a client asks for a free tax-return review, the appropriate response is to treat it as a paid service and outline how you'll proceed under a defined engagement. Saying you will review the return and come back with an answer communicates that you're willing to perform the work, but you will do so under a structured plan—you'll assess the work, determine the time and effort involved, and then provide a billable result or a formal fee arrangement before delivering final guidance. This approach respects professional standards by avoiding unpriced or informal advice and ensures transparency for both you and the client. This isn't about cutting off help; it's about setting professional terms up front. It also avoids implying that free, off-the-cuff advice is standard practice, and it keeps you aligned with ethical expectations for fair compensation and clear client engagement.

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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://cfpethics.examzify.com

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

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