Free Questions for LLQP

Shared by Holloway on 14-10-2024

Question 1

Question Type: **MultipleChoice**

Owen meets with his insurance agent, Rachel, to review his investments. Owen is interested in segregated funds. In particular, he wants to know more about the reset feature.

What should Rachel tell Owen about resetting his funds?

Options:

A- All segregated funds offer a reset feature.

B- The reset feature may be automatic.

C- There is no additional cost for a fund that provides a reset feature.

D- The reset feature can be used if the market value increases or decreases.

Answer:

B

Explanation:

Rachel should inform Owen that some segregated funds offer an automatic reset feature, which adjusts the guaranteed value periodically based on the fund's market performance. This can lock in gains during rising markets without requiring manual intervention. According to LLQP resources, automatic resets can occur on specific anniversaries or under certain conditions specified in the contract.

Option A is incorrect as not all segregated funds offer a reset feature. Option C is incorrect as there may be costs associated with funds that provide reset options. Option D is incorrect because resets typically lock in gains, not losses.

Question 2

Question Type: **MultipleChoice**

Emma, an employee at MagicLand, is part of the company's group registered retirement savings plan (RRSP). During her tenure, she accumulated over $70,000 in the plan and all of her contributions are invested in segregated funds. She meets with Jun to invest in an individual segregated fund. Jun tells her that there are some differences between group and individual segregated funds.

How are Emma's group segregated funds DIFFERENT from an individual segregated fund?

Options:

A- They have higher sales charges.

B- They charge switching fees.

C- They offer death benefit guarantees at a special rate.

D- They have lower management expense ratios (MERs).

Answer:

D

Explanation:

Group segregated funds typically have lower Management Expense Ratios (MERs) than individual segregated funds because group plans benefit from economies of scale and pooled investment options. LLQP highlights that group plans often have reduced fees compared to individual plans due to collective investment and reduced administrative costs.

Options A and B are incorrect as group plans typically feature lower costs and don't often charge switching fees. Option C is incorrect as individual segregated funds typically have more flexible death benefit guarantee options, not special rates in group plans.

Question 3

Question Type: MultipleChoice

Jessica is 61 years old and has $460,000 invested in a registered retirement savings plan (RRSP). She is retiring due to health issues that are expected to reduce her life expectancy and will prevent her from working until she is 65. She would like to transfer her RRSP funds into an annuity that will pay her monthly benefits for the rest of her life.

Which of the following annuities is the BEST option for her to purchase?

Options:

A- Term annuity to age 90.

B- Life annuity.

C- Life annuity with a 20-year guaranteed period.

D- Impaired life annuity.

Answer:

D

Explanation:

Due to Jessica's reduced life expectancy, an impaired life annuity would provide higher monthly payments than a standard life annuity. This type of annuity takes her medical condition into account, offering larger payouts based on a shorter expected payment period. LLQP resources recommend impaired life annuities for individuals with significant health issues, as these provide better income compared to other types.

Options A and C offer a fixed period but don't maximize monthly income for someone with a reduced life expectancy. Option B would provide a standard income for life but not the potentially enhanced income from an impaired annuity.

Question 4

Question Type: MultipleChoice

Lily works for Cloud 9 Inc. She earned $120,000 in Year 1 and $125,000 in Year 2. Lily contributes 5% of her income into a defined contribution pension plan (DCPP), and this contribution is matched by the employer. Lily has unused contribution room of $15,000 and wants to know how much she can contribute to her registered retirement savings plan (RRSP) in Year 2.

Options:

A- $24,600

B- $25,000

C- $30,600

D- $31,250

Answer:

A

Explanation:

Lily's RRSP contribution room is reduced by her DCPP contributions. Her total income for Year 2 was $125,000, and she contributed 5% ($6,250) to the DCPP, matched by the employer, for a total of $12,500. The Pension Adjustment (PA) for her DCPP contribution would be $12,500, which reduces her RRSP contribution room.

Calculation:

RRSP limit based on previous year's income (18% of $120,000): $21,600

PA reduction: $12,500

Remaining RRSP contribution room for Year 2: $21,600 - $12,500 = $9,100

Including her unused contribution room: $9,100 + $15,000 = $24,100

So, Lily can contribute $24,600 to her RRSP in Year 2.

Question 5

Question Type: MultipleChoice

Luisa owns a balanced segregated fund currently valued at $50,000. Her mother Linda is the current revocable beneficiary of the policy. However, Luisa has been dating Benjamin for a year and would like to name him as the new beneficiary of her policy.

Which of the following statements about modifying the beneficiary designation is CORRECT?

Options:

A- The change will take effect on the date that the insurer receives the change of beneficiary form.

B- Since Linda is Luisa's named beneficiary, she would need to consent to the change.

C- Luisa can modify the designation anytime.

D- Luisa can call the insurer's head office to notify them of the change.

Answer:

A

Explanation:

Beneficiary changes in insurance contracts generally become effective once the insurer receives and processes the signed change form. This is supported by LLQP material, which specifies that changes to beneficiary designations must be documented and received by the insurer for the new designation to take effect. Since Linda is a revocable beneficiary, Luisa can make this change without requiring Linda's consent.

Option B is incorrect as revocable beneficiaries do not require consent for changes. Option C is too general, and D is incorrect because a formal written change form is typically required.

Question 6

Question Type: **MultipleChoice**

Sasha is an employee at PranaTech. The company offers all employees a pension plan. PranaTech must contribute into the plan, but employee contributions are not mandatory. Sasha chooses where his funds will be invested.

Options:

A- Defined contribution pension plan.

B- Defined benefit pension plan.

C- Deferred profit sharing plan.

D- Group registered retirement savings plan.

Answer:

A

Explanation:

Sasha's plan allows him to choose his own investments, and the company is required to contribute, while his own contributions are optional. This structure is indicative of a Defined Contribution Pension Plan (DCPP). In a DCPP, the employer contributes a fixed amount to the employee's retirement plan, and employees often have control over how their funds are invested. Employee contributions are typically voluntary, as outlined by LLQP guidelines on pension plans.

Options B, C, and D do not match because Defined Benefit Plans do not provide investment choice, DPSPs usually have discretionary employer contributions, and group RRSPs are not pension plans and typically involve mandatory employee contributions.

Question 7

Question Type: **MultipleChoice**

Kimeni meets with Orion, an insurance agent, to purchase segregated funds. After assessing Kimeni's needs, Orion suggests an index segregated fund. Kimeni agrees to invest $5,000 in the fund now and $200 every month.

With relation to this transaction, which of the following options is CORRECT about the Fund Facts document?

Options:

A- Orion must deliver the document to Kimeni within 3 days after the purchase.

B- Kimeni must acknowledge that he received the document.

C- Orion can only deliver the document to Kimeni electronically.

D- It is Kimeni's responsibility to ask for the document.

Answer:

B

Explanation:

It is a regulatory requirement for the client, Kimeni, to acknowledge receipt of the Fund Facts document when purchasing segregated funds. This ensures that he has been informed about the key aspects of the investment, such as fees, risks, and performance, prior to purchase. LLQP guidelines mandate that documentation like Fund Facts must be provided to clients and that they acknowledge receipt to confirm informed consent.

Option A is incorrect as the document must be delivered before the purchase. Option C is inaccurate as the document can be delivered in various formats, not exclusively electronic. Option D is incorrect because it is the agent's responsibility to provide the document, not the client's to request it.

Question 8

Question Type: MultipleChoice

Enzo meets with his insurance agent Theo to discuss his investment needs. When Theo asks Enzo about his liabilities, Enzo tells him that he purchased a house for $750,000 four years ago and his current mortgage balance is $600,000. He has a fixed interest rate on the mortgage of 3.5% for 5 years.

Which of the following statements about his mortgage is TRUE?

Options:

A- A mortgage is considered a bad debt.

B- An increase in interest rates will increase the mortgage cost when the mortgage is renewed.

C- The mortgage will contribute positively to Enzo's net worth.

D- The mortgage balance should not be included in the review of liabilities.

Answer:

B

Explanation:

Enzo's fixed-rate mortgage protects him from rate fluctuations during the current term. However, upon renewal, if interest rates have risen, his mortgage payments could increase due to a higher rate being applied to his remaining balance. LLQP resources emphasize that fixed-rate mortgages are impacted by prevailing interest rates at the time of renewal, which can influence future costs.

Option A is incorrect as mortgages are generally considered good debt due to their potential for equity growth. Option C is misleading as the mortgage itself is a liability, although the property value could contribute positively to net worth. Option D is incorrect because liabilities like mortgages are essential components of a financial review.

Question 9

Question Type: MultipleChoice

Karine receives $200,000 from her mother's estate and decides to purchase an annuity. Her insurance agent Serge goes over her options with her, and she chooses the annuity that best suits her needs. Serge proceeds with the transaction.

Which of the following statements about the transaction is TRUE?

Options:

A- Karine may make a cash deposit.

B- Serge has 3 business days to forward the payment to the insurer.

C- Serge should provide a receipt for all deposits he receives as cash, cheque, or bank draft.

D- If Karine writes a cheque, it should be made payable to Serge.

Answer:

C

Explanation:

As per LLQP regulations, insurance agents like Serge are required to provide receipts for any deposits they receive, regardless of the payment method, to ensure transparency and proper documentation of client transactions. This applies to cash, cheques, or bank drafts, offering proof of the transaction to Karine and helping maintain accurate records.

Option A is incorrect as it lacks specific relevance to the transaction process. Option B is incorrect, as agents generally need to remit funds to the insurer as promptly as possible, with timing requirements varying by jurisdiction but typically within days. Option D is incorrect because cheques should be made payable to the insurer, not the agent, to prevent misappropriation of funds.

Question 10

Question Type: **MultipleChoice**

Larson, an insurance agent, meets with Julia, a real estate agent, to review her insurance needs. Julia has $500 in her savings account and does not own a tax-free savings account (TFSA) or registered retirement savings plan (RRSP). She earns an average of $150,000 a year in sales commissions and rental income from two condo units she owns. The combined value of her income properties is $1,000,000, and the mortgage is $200,000.

Larson recommends that Julia open a TFSA and use it to invest $400 a month in a money market fund.

Which of the following personal risks is Larson trying to mitigate with this advice?

Options:

A- Risk of job loss.

B- Risk of bankruptcy.

C- Risk of leveraging.

D- Risk of unforeseen expenses.

Answer:

D

Explanation:

Larson's recommendation for Julia to open a TFSA and invest in a money market fund is a strategy aimed at building a readily accessible emergency fund. This fund can help mitigate the risk of unforeseen expenses, which is a common financial risk. According to LLQP principles, creating an emergency fund within a TFSA provides tax-free growth and easy access to funds for unexpected costs, such as repairs, medical expenses, or temporary income loss.

Options A, B, and C are incorrect as they relate to specific risks not directly addressed by the creation of an emergency fund. A TFSA primarily provides liquidity for unexpected expenses rather than addressing job loss, bankruptcy, or leveraging.

Question 11

Question Type: **MultipleChoice**

Remi owns a registered annuity contract that pays him a $2,500 monthly benefit. He purchased the contract five years ago from money he accumulated in his registered pension plan. At the time, he named his wife Annette as the revocable beneficiary of the contract. Today, he calls Louisa, his insurance agent, to designate his sister as beneficiary of the contract instead. Louisa tells him that there are restrictions on the contract and that he cannot change the beneficiary designation.

Why is Remi unable to make the change?

Options:

A- He is already receiving payments from the contract.

B- He would first have to obtain his wife's consent to change it.

C- He did not complete the change of beneficiary form.

D- The contract was funded by a registered pension plan.

Answer:

D

Explanation:

Since Remi's annuity was purchased with funds from his registered pension plan, it is likely subject to locking-in provisions, which restrict changes to the beneficiary designation once annuitized. LLQP guidelines state that pensions converted into registered annuities are generally subject to locking-in rules, which often prevent changes to beneficiary designations unless in cases of spousal consent or specific contractual allowances.

Option B is incorrect, as spousal consent is not relevant when the designation is already restricted. Options A and C are also incorrect, as they do not address the locking-in nature tied to the pension plan.