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NEW QUESTION: 1

When calculating an individual's annual RRSP contribution limit, what adjustments can be made to the base calculation?

A. Add the Past Service Pension Adjustment.

B. Add inflation.

C. Deduct unused contribution room.

D. Deduct the Pension Adjustment and Past Service Pension Adjustment.

Answer: D (LEAVE A REPLY)

NEW QUESTION: 2

Which of the following statements are CORRECT about labour sponsored investment funds (LSIFs)?

A. LSIFs are appropriate for investors with a short-term time horizon.

B. All provinces offer some sort of additional tax credit for investors.

C. LSIFs are suitable for investors with a low risk tolerance.

D. Investors will forfeit their tax credits if they redeem their LSIF investment before 8 years have elapsed.

Answer: D (LEAVE A REPLY)

LSIFs are a type of investment fund that provide venture capital to small and medium-sized Canadian businesses, while offering tax benefits to investors. However, LSIFs are also considered high-risk and illiquid investments, as they invest in private companies that may not have a proven track record or marketability.

Therefore, LSIFs are not suitable for investors with a short-term time horizon or a low risk tolerance.

Investors who buy LSIFs receive a 15% federal tax credit and may also receive an additional provincial tax credit, depending on the province where they reside. However, these tax credits

are conditional on holding the LSIF investment for at least 8 years. If investors redeem their LSIF investment before the 8-year period, they will have to repay the tax credits they received.
Canadian Investment Funds Course, Chapter 4: Types of Investments1

NEW QUESTION: 3

Details of a client's investment portfolio appear in the following table:

Type of Funds

Amounts Invested ($)

Canadian equity growth fund

15,000

TSX equity index fund

25,000

Canadian resources fund

75,000

Canadian equity value fund

95,000

What is the primary risk of this investment portfolio?

A. Counterparty

B. Interest rate

C. Market

D. Foreign exchange

Answer: C (LEAVE A REPLY)

The portfolio shown is heavily concentrated in Canadian equities, across growth, index, resources, and value funds. Since all investments are in equities, the primary risk is market risk (systematic risk), meaning the portfolio's value will fluctuate with overall stock market conditions.

Counterparty risk relates to derivative or trading partners.

Interest rate risk is most relevant to fixed-income securities.

Foreign exchange risk applies to foreign investments.

Thus, the correct answer is Market risk.

NEW QUESTION: 4

Natasha currently owns 2 mutual funds: a bond fund and a Canadian equity fund. She would like to use one of them as her registered retirement savings plan (RRSP) contribution for the year. From a tax efficiency perspective, which mutual fund should she contribute?

A. the equity fund

B. the bond fund

C. either since it makes no difference

D. it depends on her marginal tax rate

Answer: (SHOW ANSWER)

The bond fund should be contributed to Natasha's RRSP from a tax efficiency perspective, because interest income from bonds is fully taxable at her marginal tax rate outside of an RRSP.

By contributing the bond fund to her RRSP, Natasha can defer paying tax on the interest income until she withdraws it from her RRSP in retirement, when she may be in a lower tax bracket. The equity fund should be kept outside of her RRSP, because dividends and capital gains from equities receive preferential tax treatment compared to interest income. Dividends qualify for the dividend tax credit and capital gains are only 50% taxable. Furthermore, equities tend to have higher returns than bonds over the long term, which means that Natasha would have more after-tax income by keeping them outside of her RRSP. References: Registered Retirement Savings Plan (RRSP), Does it pay to invest in an RRSP? Here's the math

NEW QUESTION: 5

Calculate the 2-year simple return for the AAA Mutual Fund.
AAA Mutual Fund Performance
Year | Price at Beginning | Distribution | Price at End | Simple 1-Yr Return
1st Year | $10.00 | $0.25 | $11.00 | 12.50%
2nd Year | $11.00 | $0.25 | $10.20 | -5.00%

A. 7%
B. 3%
C. 8%
D. -3%

Answer: (SHOW ANSWER)

The 2-year simple return is calculated as:
Return = (Price at the end of the period + total cash flow earned during the period - Price at the beginning of the period) / Price at the beginning of the period.
Total cash flow = $0.25 (Year 1) + $0.25 (Year 2) = $0.50.
Return = ($10.20 + $0.50 - $10.00) / $10.00 = $0.70 / $10.00 = 7.00%.
The feedback from the document confirms:
"Return = (Price at the end of the period + cash flow earned during the period - Price at the beginning of the period) / Price at the beginning of the period. In this case, ($10.20 + $0.50 - $10.00) / $10.00 = 7.00%." Reference: Chapter 8 - Constructing Investment PortfoliosLearning Domain: Understanding Investment Products and Portfolios

NEW QUESTION: 6

Kendrick is a newly registered Dealing Representative for Oak Solid Financial. He has been assigned the task of contacting existing clients where there has been no record of consultation within the last 12 months. The first person he sees on his list is a client named Chandra Ruffino. He double-checks if her phone number is on the Do Not Call List (DNCL) registry. Which of the following statements apply?

A. If Chandra is on the DNCL registry, Kendrick is still eligible to contact the client of Oak Solid Financial.
B. If Chandra has been on the DNCL registry for 18 months, then Kendrick is not allowed to contact her.

C. If Chandra is on the DNCL, then Kendrick can only contact her if she is specifically his client.
D. If Chandra had closed her account within the last 12 months and registered herself on the DNCL, then Kendrick cannot call her.
Answer: A (LEAVE A REPLY)
The Do Not Call List (DNCL) is a national registry of personal telephone numbers that consumers can register to reduce the number of unsolicited telemarketing calls they receive. Telemarketers are required to subscribe to the DNCL and avoid calling the numbers on the list, unless they have an exemption. One of the exemptions is for existing business relationships, which means that a telemarketer can call a consumer who has purchased a product or service from them or their employer within the last 18 months, or who has made an inquiry or application within the last six months. Therefore, Kendrick is still eligible to contact Chandra, who is an existing client of Oak Solid Financial, even if she is on the DNCL registry. However, Kendrick must respect Chandra's right to request that he stop calling her and remove her number from his contact list.
Canadian Investment Funds Course, Chapter 1: The Canadian Financial Services Industry1, National Do Not Call List - Canada.ca2

NEW QUESTION: 7
Solomon is a Dealing Representative who is excited about a new equity fund his dealer recently approved. He thinks investors will be attracted to the fund's historical performance. He has a prospective new client, Madira, who is 25 years old. Madira has invested in mutual funds before, but not with Solomon's dealer. She has made an appointment to open a new RRSP with Solomon's firm.
What does Solomon need to do to make this a suitable recommendation?
A. Show from past fund performance, that mutual fund costs are not important if there are high returns.
B. Rely on the risk rating of the mutual fund when offering an investment solution.
C. Identify how the proposed investment is in alignment with the investor's profile and holdings.
D. Match the past rates of return of the mutual fund with what is the anticipated rate of return.
Answer: C (LEAVE A REPLY)
To make a suitable recommendation, Solomon needs to identify how the proposed investment is in alignment with the investor's profile and holdings. A suitable recommendation is one that meets the investor's needs, goals, risk tolerance, time horizon, and personal circumstances. It also considers the investor's existing portfolio and how the new investment would affect its diversification, performance, and risk. Therefore, option C is correct regarding what Solomon needs to do to make a suitable recommendation. The other options are not correct or sufficient to make a suitable recommendation. Option A is false because mutual fund costs are important regardless of the past fund performance, as they reduce the net returns and compound over time. Option B is false because relying on the risk rating of the mutual fund is not enough to offer an investment solution, as it does not reflect the investor's return expectations, liquidity needs, tax situation, or personal preferences. Option D is false because matching the past rates

of return of the mutual fund with what is the anticipated rate of return is not a reliable way to make a recommendation, as past performance does not guarantee future results and may not be consistent with the investor's risk tolerance or time horizon.
References: [Suitability | GetSmarterAboutMoney.ca], [Mutual Fund Fees | GetSmarterAboutMoney.ca],
[Risk Rating | GetSmarterAboutMoney.ca]

NEW QUESTION: 8
Loretta is looking for a well diversified equity fund. Her ideal mutual fund would hold investments within and outside Canada. Although she is seeking growth, Loretta also wants a mutual fund that invests in quality companies.
Which of the following mutual funds would be the best choice for Loretta?
A. Dominion International Growth Fund - this international equity fund invests in small and medium sized companies in countries all around the world.
B. Polar Global Blue Chip Equity Fund - this global equity fund invests in large, established companies in mostly stable and mature foreign markets.
C. Lennox Energy Fund - this sector fund invests primarily in Canadian oil and gas companies that sell both to domestic and foreign markets.
D. Auric Precious Metals Fund - this sector fund invests in Canadian companies that participate in the precious metals sector such as owning mines in foreign countries.
Answer: B (LEAVE A REPLY)
Loretta is looking for a well diversified equity fund that invests both within and outside Canada. She also wants a fund that invests in quality companies, which implies that she prefers lower risk and higher stability.
A global equity fund would meet her criteria, as it can invest in any country, including Canada, and diversify across different regions and markets. A global equity fund that focuses on large, established companies, also known as blue chip stocks, would also suit her preference for quality and stability, as these companies tend to have strong financial performance, competitive advantages, and consistent dividends. Therefore, the Polar Global Blue Chip Equity Fund would be the best choice for Loretta among the given options.
Canadian Investment Funds Course, Unit 6, Section 6.2

NEW QUESTION: 9
What type of mutual fund can invest in specified derivatives and forward contracts for grains, meats, metals, energy products, and coffee?
A. global equity fund
B. commodity pool
C. labour-sponsored investment fund
D. specialty fund
Answer: B (LEAVE A REPLY)

A commodity pool is a type of mutual fund that can invest in specified derivatives and forward contracts for commodities, such as grains, meats, metals, energy products, and coffee. A commodity pool allows investors to gain exposure to the commodity markets without having to buy or sell the physical commodities themselves. A commodity pool may also use leverage and hedging strategies to enhance returns and reduce risks. Therefore, B is the correct answer.
References: Commodity Pool: Definition and How It Works - Investopedia, Canadian Investment Funds Course (CIFC) | IFSE Institute

NEW QUESTION: 10
Your client Gerard is 30 years old and plans to retire at age 65. He has a mutual fund portfolio of $40,000 in which he invests $1,500 monthly. Gerard's objective is to use these funds to meet the 20% down payment requirement to buy a house for $650,000.
What is Gerard's investment time horizon not considering market fluctuations?
A. 5 years
B. 15 years
C. 25 years
D. 35 years
Answer: A (LEAVE A REPLY)
Gerard's investment time horizon is the length of time he plans to hold his investment until he needs to use the money for his specific goal. In this case, Gerard's goal is to use his mutual fund portfolio to meet the 20% down payment requirement to buy a house for $650,000.
Therefore, his investment time horizon is determined by how long it will take him to accumulate enough money in his portfolio to cover the down payment amount.
Assuming that Gerard does not withdraw any money from his portfolio and that his portfolio earns a constant annual rate of return of 6%, we can use the following formula to calculate how long it will take him to reach his goal:
FV=PV×(1+r)n+PMT×r(1+r)n#1
where:
* FV is the future value of the portfolio
* PV is the present value of the portfolio
* r is the annual interest rate
* n is the number of years
* PMT is the monthly payment
We can rearrange the formula to solve for n:
n=log(1+r)logPV+PMT×r1FV#PMT×r1
Plugging in the given values, we get:
n=log(1+0.06)log40,000+1,500×0.061130,000#1,500×0.061
n=4.98
Therefore, Gerard's investment time horizon is approximately 5 years, not considering market fluctuations.

This means that he will need to invest his money in a way that matches his risk tolerance and expected return for this time period.
Canadian Investment Funds Course (CIFC) Study Guide, Chapter 4: Mutual Funds, Section 4.6: Asset Allocation and Diversification, page 4-271 Future Value of an Annuity Definition - Investopedia2

NEW QUESTION: 11
When opening a new non-registered account, which client information is optional?
A. Social insurance number
B. Personal income
C. Third-party trading authorization
D. Investment knowledge
Answer: A (LEAVE A REPLY)
When opening a new non-registered account, the Know Your Client (KYC) rule requires collecting information such as:
personal and financial circumstances,
investment knowledge,
investment objectives,
risk profile, and
time horizon.
The Social Insurance Number (SIN) is mandatory only for registered accounts (RRSP, TFSA, RESP, etc.) to track tax-related reporting, but it is optional for non-registered accounts.
Thus, the correct answer is A. Social insurance number.

NEW QUESTION: 12
Davis invested in a tactical asset allocation fund in his non-registered investment account. Distributions from the mutual fund are paid directly to Davis and not reinvested. Assuming a federal marginal tax rate of 26%, dividend gross-up rate of 38% and federal dividend tax credit rate of 15%, which type of distribution would result in the lowest amount of tax payable?
A. Capital Dividend
B. Capital Gain
C. Eligible Dividend
D. Interest
Answer: (SHOW ANSWER)
An eligible dividend is a type of dividend that is paid by a Canadian corporation that meets certain criteria and is eligible for the enhanced dividend tax credit. The dividend tax credit reduces the amount of tax payable on dividends by providing a credit against the tax liability. An eligible dividend has a higher gross-up rate and a higher dividend tax credit rate than a non-eligible dividend, which means that it results in a lower effective tax rate. A capital dividend is a type of dividend that is paid from the capital gains realized by a corporation and is tax-free to the shareholder. However, a tactical asset allocation fund is unlikely to pay capital dividends, as

they are usually reserved for private corporations. A capital gain is the profit from selling an asset at a higher price than its purchase price. Only 50% of the capital gain is taxable, which means that it has a lower effective tax rate than interest income, which is fully taxable. However, a capital gain distribution from a mutual fund is not the same as a capital gain from selling the mutual fund units. A capital gain distribution is paid when the fund realizes a capital gain from selling its underlying assets, and it is taxable in the year it is received, regardless of whether the shareholder sells the fund units or not. Therefore, it does not benefit from the deferral of tax that occurs when the shareholder sells the fund units at a later date. An interest distribution is paid when the fund earns interest income from its underlying assets, such as bonds or money market instruments. Interest income is fully taxable at the marginal tax rate, which means that it has the highest effective tax rate among the four types of distributions.
To compare the amount of tax payable for each type of distribution, we can use the following formula:
Tax=(Distribution×Gross#up)×MarginalTaxRate#(Distribution×Gross#up)×DividendTaxCreditRate
For simplicity, we assume that Davis receives $100 of each type of distribution and that he does not have any other income or deductions. We also ignore any provincial taxes or credits. Using the formula, we can calculate the tax payable for each type of distribution as follows:
Capital Dividend: Tax=(100×0)×0.26#(100×0)×0=0
Capital Gain: Tax=(100×0.5)×0.26#(100×0.5)×0=13
Eligible Dividend: Tax=(100×1.38)×0.26#(100×1.38)×0.15=10.14
Interest: Tax=(100×1)×0.26#(100×1)×0=26
Therefore, an eligible dividend would result in the lowest amount of tax payable, followed by a capital gain, a capital dividend, and an interest distribution.
Canadian Investment Funds Course (CIFC) Study Guide, Chapter 7: Taxation, Section 7.2: Taxation of Investment Income, page 7-41 Eligible Dividends Definition - Investopedia2 Capital Dividend Definition - Investopedia3 Capital Gain Distribution Definition - Investopedia4

NEW QUESTION: 13
An increase in which factor may cause interest rates to decrease?
A. Default risk
B. Business activity
C. Capital supply
D. Inflation rate
Answer: (SHOW ANSWER)
Interest rates in the economy are determined primarily by the supply of capital (loanable funds) and the demand for capital, as explained in the Investment Funds in Canada (CIFC) text under Economic Factors and Financial Markets. The course states that "interest rates are influenced by changes in the supply and demand for money," and that an increase in the supply of capital, all else being equal, will place downward pressure on interest rates.
When capital supply increases, there is more money available for lending from sources such as households, corporations, pension funds, insurance companies, and governments running

budget surpluses. With more funds competing to be lent, lenders are willing to accept lower interest rates in order to attract borrowers.
This inverse relationship between capital supply and interest rates is a foundational concept in CIFC economics.
The other options all result in higher, not lower, interest rates according to CIFC principles. An increase in default risk leads lenders to demand higher returns to compensate for the added risk. Increased business activity raises demand for borrowing, which pushes interest rates upward. Similarly, higher inflation erodes purchasing power, so lenders require higher nominal interest rates to maintain real returns.
Therefore, only an increase in capital supply leads to lower interest rates, making Option C the correct and fully verified answer based on the Investment Funds in Canada curriculum.

NEW QUESTION: 14
Preston has been working for Thompson Industries for just over a year and has been part of Thompson's deferred profit sharing plan (DPSP) program from his start date. Preston wants to know more about these types of plans.
What would you tell Preston about DPSPs?
A. The employer is obliged to make DPSP contributions for an amount equal to employee contributions.
B. Once the plan is set up, the employer is obliged to make plan contributions each year.
C. DPSP contributions are tax-deductible to the employer.
D. Investment growth within the plan is taxable each year.
Answer: C (LEAVE A REPLY)
A DPSP is a type of registered plan that allows employers to share their profits with their employees.
Employees do not contribute to a DPSP, and they do not pay taxes on the contributions until they withdraw them. Employers can deduct their contributions to a DPSP from their taxable income, subject to certain limits and conditions.
References = IFSE CIFC Module 6: Registered Plans, page 6-12. Contributing to a deferred profit sharing plan - Canada.ca

NEW QUESTION: 15
Last year, the return on YXY fund was 10.5%. It reported a standard deviation and beta of 6.5% and 1.9, respectively. Over the same period, Treasury bills and 15-year government bonds yielded 2.2% and 4.3%, respectively. What is the fund's Sharpe ratio?
A. 0.95
B. 1.28
C. 4.37
D. 3.26
Answer: B (LEAVE A REPLY)

NEW QUESTION: 16

What information can be found from a simplified prospectus instead of Fund Facts?

A. Costs associated with mutual fund investing.

B. A summary of the top 10 investment holdings.

C. The investment strategies that are being used or proposed to be used.

D. Investor rights regarding cancelling an order.

Answer: (SHOW ANSWER)

A simplified prospectus is a legal document that provides essential information about a mutual fund, such as its investment objectives, strategies, risks, fees, performance, and distribution policy. A simplified prospectus also contains information about the fund manager, the dealer, and the rights of investors. A fund facts is a summary document that highlights the key information from the simplified prospectus in a concise and easy- to-read format. A fund facts is delivered to investors before or at the time of purchase of a mutual fund12 One of the information that can be found from a simplified prospectus instead of fund facts is the investment strategies that are being used or proposed to be used by the mutual fund. The investment strategies describe how the fund manager intends to achieve the fund's investment objectives, such as the types of securities, markets, sectors, or styles that the fund will invest in, the asset allocation or diversification policy, the use of derivatives or leverage, or the criteria for selecting or selling securities. The investment strategies may also include any restrictions or limitations that the fund must follow, such as the minimum or maximum exposure to certain securities, markets, or sectors, or the adherence to any ethical, environmental, social, or governance (ESG) principles. The investment strategies provide investors with a detailed and comprehensive understanding of how the fund operates and what risks it may entail34 The other options are not correct, as they can be found in both the simplified prospectus and the fund facts.

The costs associated with mutual fund investing include the sales charges, trailing commissions, management fees, operating expenses, and taxes that investors may have to pay when they buy, hold, or sell a mutual fund.

These costs are disclosed in both documents, as they affect the returns and performance of the fund12 A summary of the top 10 investment holdings shows the largest positions that the fund holds in its portfolio, such as the names and percentages of the securities, markets, or sectors that the fund invests in. This summary gives investors a snapshot of the fund's composition and diversification, and it is updated regularly in both documents12 Investor rights regarding cancelling an order refer to the right of withdrawal and the right of rescission that investors have when they purchase a mutual fund. The right of withdrawal allows investors to cancel their purchase within two business days of receiving the fund facts or the confirmation of purchase, and receive a refund of the purchase price or the market value of the fund, whichever is less. The right of rescission allows investors to cancel their purchase within 48 hours of receiving the confirmation of purchase, if they did not receive the fund facts before or at the time of purchase, and receive a refund of the purchase price or the market value of the fund, whichever is less. These rights are explained in both documents, as they protect the interests of investors12

References = Canadian Investment Funds Course, Unit 6: Mutual Funds, Lesson 4: Mutual Fund Disclosure Documents, Section 6.4.1: Simplified Prospectus 1; Canadian Investment Funds Course, Unit 6: Mutual Funds, Lesson 4: Mutual Fund Disclosure Documents, Section 6.4.2: Fund Facts 2; CIFC prepkit, Chapter 6:
Mutual Funds, Question 6.4.1 3; CIFC prepkit, Chapter 6: Mutual Funds, Question 6.4.2 4

NEW QUESTION: 17
What is the first step before becoming eligible for registration as a mutual fund dealing representative?
A. File a registration application through the dealer.
B. Complete the 90-day training program.
C. Pass the proficiency examination.
D. Pay the registration fee with the applicable securities administrator.
Answer: (SHOW ANSWER)

NEW QUESTION: 18
When purchasing a mutual fund, what is the correct way to determine the number of units purchased if the order was entered today at 2:30 p.m. ET?
A. Use today's NAV
B. Use the 2:30 p.m. ET NAV
C. Use the average of today's and yesterday's NAV
D. Use yesterday's NAV
Answer: A (LEAVE A REPLY)
When an investor purchases a mutual fund, the price is based on the next NAVPS (Net Asset Value Per Share) calculated after the order is entered. Orders placed before 4:00 p.m. ET are priced at that day's closing NAV; orders after 4:00 p.m. are priced using the next business day's NAV.
Since the order was placed at 2:30 p.m. ET, today's NAV applies.

NEW QUESTION: 19
Jenny contributed $5,000 each year for five years to a spousal RRSP in Albert's name. In the sixth calendar year, Jenny did not contribute and Albert withdrew all the funds from the spousal RRSP. What are the tax implications of the withdrawal for Albert and Jenny?

A. No effect on Jenny's taxable income and Albert includes $25,000 plus income earned in the plan in his taxable income.
B. Jenny includes $25,000 in her taxable income and Albert includes income earned in the plan in his taxable income.
C. Jenny includes $10,000 in her taxable income and Albert includes $15,000 plus income earned in the plan in his taxable income.
D. Albert includes $10,000 in his taxable income and Jenny includes $15,000 plus income earned in the plan in her taxable income.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 20
Malik has been saving money for retirement but he is worried about the impact inflation may have on the value of his savings. He wants to purchase a bond that will give him a steady stream of income that is greater than the inflation rate. He has found a bond issued by a major airline with a market price of $9,200, a par value of $10,000, and a coupon rate of 6.75%. What is the current yield of this bond?
A. 7.34%
B. 6.75%
C. 6.25%
D. 6.21%
Answer: (SHOW ANSWER)
The current yield of a bond is the annual interest payment divided by the current market price of the bond.
The annual interest payment is the coupon rate multiplied by the par value of the bond. In this case, the annual interest payment is:
6.75%×10,000=675
The current market price of the bond is $9,200. Therefore, the current yield is:
9200675×100%=7.34%
The current yield is higher than the coupon rate because the bond is selling at a discount, meaning that its market price is lower than its par value. This implies that the bond is offering a higher return than the prevailing market interest rate. However, the current yield does not take into account the capital gain or loss that will occur when the bond matures or is sold. A more accurate measure of the bond's return is the yield to maturity (YTM), which is the annualized rate of return that accounts for both the interest payments and the price change of the bond over its remaining term.
Canadian Investment Funds Course (CIFC) Study Guide, Chapter 5: Fixed-Income Securities, Section 5.2:
Bond Pricing and Yield, page 5-61
Current Yield Definition - Investopedia2

NEW QUESTION: 21

A risk-averse investor is meeting with their advisor to discuss investment solutions. Traditionally, the investor has considered GICs only, but they are open to considering other alternatives. To what emotional bias is the investor most susceptible?
A. Endowment
B. Hindsight
C. Loss aversion
D. Status quo
Answer: D (LEAVE A REPLY)

NEW QUESTION: 22
Which statement CORRECTLY describes index mutual funds and traditional exchange-traded funds (ETFs)?
A. Index funds use an active investment management style, whereas ETFs use a passive investment management style.
B. Both types of funds are closed-end investments that are required to hold the same securities as the index at all times.
C. The market price of an ETF must match its net asset value (NAV), whereas there can be discrepancy in the pricing of index funds.
D. Both types of funds attempt to replicate the return of a specific market index, but their returns may not perfectly match the index.
Answer: A (LEAVE A REPLY)
Index mutual funds and traditional exchange-traded funds (ETFs) are both types of investment funds that use a passive investment management style, which means they try to track the performance of a specific market index, such as the S&P/TSX Composite Index or the S&P 500 Index. They do so by holding the same securities as the index or a representative sample of them, and by adjusting their portfolio composition and weighting to reflect any changes in the index. However, both types of funds may not be able to exactly replicate the return of the index for various reasons, such as fees, expenses, tracking error, rebalancing frequency, dividend reinvestment, and cash holdings. Therefore, there may be some deviation or difference between the fund's return and the index's return, which is called tracking difference.
Canadian Investment Funds Course, Chapter 4: Types of Investments1

NEW QUESTION: 23
As it pertains to fixed-income securities, which yield metric factors in cash flows relative to ongoing bond prices rather than the initial amount invested?
A. Effective
B. Dividend
C. Earnings
D. Current
Answer: D (LEAVE A REPLY)

NEW QUESTION: 24

Greg is a Dealing Representative. As a part of his business building activity, Greg prepares several messages to post on his website and Facebook page. Which statement CORRECTLY describes this situation?

A. Posting a sales communication to a website is prohibited by the Personal Information Protection and Electronic Documents Act (PIPEDA).

B. Posting messages to Facebook is prohibited by Canada's Anti-Spam Law (CASL).

C. Greg's messages must be approved by his dealer before he can publish or issue the communication.

D. Greg must not discuss the investment performance, rankings, or ratings of a fund in his communication.

Answer: C (LEAVE A REPLY)

According to the MFDA rules, any sales communication that is prepared by a Member or an Approved Person, such as Greg, must be approved by the dealer in writing prior to its publication, issuance, or use. A sales communication is any communication that is intended to promote the business of the Member or the Approved Person, or the sale of securities, including any communication on a website or a social media platform. The dealer must ensure that the sales communication is fair, balanced, and not misleading, and that it complies with the applicable laws and regulations12 References = web search results from search_web(query="sales communication and mutual fund dealers association rules")12

NEW QUESTION: 25

Russell is a Dealing Representative with Wealth Quest Strategies Ltd., a mutual fund dealer and member of the Mutual Fund Dealers Association of Canada (MFDA). Russell is developing his website to include sales content on a Target Date Fund. Which of the following is Russell permitted to include on his website about the Target Date Fund?

i. the asset mix through the life of the fund until the future date

ii. the expected decline in the fund's risk level as the fund reaches its target date iii. the guaranteed return that the client will receive on the future date iv. a graphic illustration of the fund's promised growth on target date

A. i and ii

B. i and iii

C. ii and iv

D. iii and iv

Answer: A (LEAVE A REPLY)

A target date fund is a type of mutual fund that adjusts its asset allocation and risk level according to a predetermined future date, such as retirement or college education. A target date fund typically starts with a higher proportion of stocks and a lower proportion of bonds and cash, and gradually shifts to a more conservative mix as the target date approaches. This is called the fund's glide path, which shows the asset mix through the life of the fund until the future date. Russell is permitted to include this information on his website, as it is factual and relevant to the

fund's characteristics and suitability. Russell is also permitted to include information about the expected decline in the fund's risk level as the fund reaches its target date, as this is part of the fund's objective and strategy. However, Russell is not permitted to include any information that implies or suggests that the target date fund offers a guaranteed return or a promised growth on the future date, as this would be misleading and inaccurate. Target date funds are not guaranteed investments, and their performance depends on the market conditions and the fund manager's decisions. Russell must not make any false or exaggerated claims about the target date fund's benefits or returns on his website.
Canadian Investment Funds Course, Chapter 7: Know Your Product1

NEW QUESTION: 26
Which behavioural bias causes a person to rely on a "best-fit" process to form the basis for understanding a new circumstance?
A. Status quo
B. Availability
C. Hindsight predisposition
D. Representativeness
Answer: D (LEAVE A REPLY)
The representativeness bias causes individuals to evaluate new information by comparing it to existing stereotypes or patterns that seem to "best fit," making Option D the correct answer. The Investment Funds in Canada curriculum explains that representativeness occurs when investors "draw conclusions based on similarities to past experiences without considering probability or statistical relevance." This bias leads investors to assume that if something looks like a successful investment from the past, it will behave the same way in the future, even when underlying fundamentals differ. The "best-fit" mental shortcut ignores deeper analysis and often results in incorrect assumptions.
The other options describe different behavioural tendencies. Status quo bias reflects resistance to change.
Availability bias focuses on information that is easily recalled rather than most relevant.
Hindsight predisposition involves believing past events were predictable after they occur. None of these involve pattern- matching based on perceived similarity.
The CIFC course emphasizes that behavioural biases can negatively affect investment decisions and that advisors must recognize and mitigate them when working with clients.
Because representativeness relies on superficial resemblance rather than objective analysis, it is the correct answer.

NEW QUESTION: 27
Your client, James, would like to work beyond the normal retirement age. He comes to you for advice on his registered retirement savings plan (RRSP). What are the rules regarding terminating an RRSP?
A. James must terminate the plan by the end of the year he turns 65.

B. James must terminate the plan by the end of the year he turns 67.
C. James must terminate the plan by the end of the year he turns 70.
D. James must terminate the plan by the end of the year he turns 71.
Answer: D (LEAVE A REPLY)
According to the Canadian Investment Funds Course, an RRSP is a retirement savings plan that allows individuals to defer taxes on their contributions and investment income until they withdraw the funds.
However, an RRSP cannot be held indefinitely and must be terminated by the end of the year the annuitant turns 71. At that point, the annuitant has three options to withdraw the funds from the RRSP:
Make a lump-sum withdrawal, which is subject to withholding tax and income tax.
Convert the RRSP to a registered retirement income fund (RRIF), which provides a steady stream of income with a minimum amount that must be withdrawn each year.
Purchase an annuity, which offers a guaranteed income for life or for a specified period.
1: Canadian Investment Funds Course - IFSE Institute 2 (Unit 9: Retirement)

NEW QUESTION: 28
During the calendar year, Firmansyah received a $1,800 eligible dividend from a large Canadian bank and a
$US dollar (USD) dividend of $882.02 from a foreign-based corporation. The USD/CAD exchange rates is
1.3605.
Firmansyah's federal marginal tax bracket is 29%. The enhanced dividend gross-up rate is 38% and the federal dividend tax credit rate for eligible dividends is 15%.
What federal tax liability will be result from his investment income?
A. $522.00
B. $348.00
C. $695.76
D. $870.00
Answer: C (LEAVE A REPLY)
To calculate the federal tax liability from the investment income, we need to consider the following steps:
Convert the foreign dividend to Canadian dollars using the exchange rate. In this case, $882.02 USD x 1.3605
= $1,200.00 CAD.
Gross up the eligible dividend by the enhanced dividend gross-up rate of 38%. In this case, $1,800 x 1.38 =
$2,484.
Add the grossed-up eligible dividend and the foreign dividend to get the total taxable income from dividends.
In this case, $2,484 + $1,200 = $3,684.

Multiply the total taxable income from dividends by the federal marginal tax rate of 29% to get the gross federal tax payable. In this case, $3,684 x 0.29 = $1,068.36.
Multiply the grossed-up eligible dividend by the federal dividend tax credit rate of 15% to get the federal dividend tax credit. In this case, $2,484 x 0.15 = $372.60.
Subtract the federal dividend tax credit from the gross federal tax payable to get the net federal tax liability. In this case, $1,068.36 - $372.60 = $695.76.
Therefore, Firmansyah's federal tax liability from his investment income is $695.76.
1: Canadian Investment Funds Course - IFSE Institute 2 (Unit 9: Retirement)

NEW QUESTION: 29
Which statement best describes key differences between dividend funds and standard equity funds?
A. Standard equity funds cannot invest in preferred shares
B. Standard equity funds' objectives do not include capital preservation
C. Standard equity funds' objectives do not include current dividend income
D. Standard equity funds' objectives are based on a belief in market efficiency
Answer: B (LEAVE A REPLY)
Standard equity funds focus on capital gains and may include dividend income, but unlike dividend funds, they do not prioritize capital preservation. The feedback from the document states:
"A standard equity fund seeks to earn some combination of dividend income and capital gains from investment in Canadian common stocks. This objective appears to be similar to that of a preferred dividend fund. The difference between the two is that an equity fund usually has a much stronger capital gains focus.
Note as well that equity funds make no specific attempt to preserve capital; in other words, equity funds are willing to put capital at substantially greater risk than preferred dividend funds."
Reference: Chapter 12 - Riskier Mutual Fund ProductsLearning Domain: Analysis of Mutual Funds

NEW QUESTION: 30
Grant is a Dealing Representative with WealthPlus Securities Inc. Grant becomes a volunteer member of his local arena's Hockey Association and is appointed as the Association's new Treasurer. Which of the following statements about Grant's appointment as Treasurer is CORRECT?
A. If Grant is not compensated for the Treasurer position, his firm's approval is not required.
B. Grant must obtain the firm's approval before he starts the Treasurer position.
C. Since Grant holds the Treasurer position on a voluntary basis, it is not an outside activity.
D. Grant must disclose the Treasurer position to his firm once he has accepted the position.
Answer: B (LEAVE A REPLY)
Grant's appointment as Treasurer is considered an outside activity, regardless of whether he is compensated or not. According to the CIFC, Dealing Representatives must obtain their firm's

written approval before engaging in any outside activity that could interfere with their ability to perform their duties or create a conflict of interest with their clients or employer. Grant must disclose the nature and extent of his involvement with the Hockey Association and how it may affect his availability, reputation, or potential for conflicts of interest. The firm may approve, reject, or impose conditions on Grant's outside activity.
Canadian Investment Funds Course, Chapter 8: Suitability and Know Your Client1

NEW QUESTION: 31
Vickie recently added the ABC Investco EV Fund to her portfolio. This fund invests in global companies involved in the electric vehicles sector. What type of mutual fund is this classified as?
A. Standard
B. Growth
C. Resource
D. Specialty
Answer: D (LEAVE A REPLY)
The correct answer is D. Specialty. According to the Investment Funds in Canada course, specialty funds focus on a specific sector, theme, or investment mandate. Funds that concentrate on areas such as technology, healthcare, precious metals, or electric vehicles fall into this category.
An electric vehicles fund invests in a narrow, theme-based segment of the global equity market rather than following a broad market or traditional growth mandate. The CIFC text notes that specialty funds typically involve higher risk due to limited diversification but may offer higher return potential.
Standard and growth funds are broadly diversified, while resource funds focus specifically on natural resources such as energy or mining. EV-focused investing extends beyond traditional resource classification.

NEW QUESTION: 32
Which of the followings describes segregated funds?
A. Segregated funds have high returns, high management fees, and cannot be redeemed until the maturity date of the contract.

B. Segregated funds flow through capital losses to investors because the investors are the owners of the underlying fund.
C. Segregated funds offer some protection of the capital invested but there is an added cost for the protection.
D. Segregated funds are subject to securities regulation because they are distributed by mutual fund dealing representatives.
Answer: C (LEAVE A REPLY)
Segregated funds offer some protection of the capital invested but there is an added cost for the protection.
Segregated funds are contracts issued by life insurance companies that invest in underlying funds, similar to mutual funds. Segregated funds have a maturity guarantee and a death benefit guarantee, which ensure that the investor or their beneficiary will receive a certain percentage of their initial investment, regardless of market fluctuations. However, these guarantees come at a cost, which is reflected in higher management fees and insurance fees than mutual funds.
Segregated funds do not have high returns, as they depend on the performance of the underlying funds. Segregated funds can be redeemed before the maturity date of the contract, but they may be subject to early redemption fees or market value adjustments. Segregated funds do not flow through capital losses to investors, as they are not considered owners of the underlying fund.
Segregated funds are subject to insurance regulation, not securities regulation, because they are distributed by life insurance agents. References: Segregated Funds

NEW QUESTION: 33
Sheldon is a 25 year old graphic designer. He has just started working and saves regularly. Apart from his regular salary he also earns extra money from freelancing after office hours and during weekends. His earnings from his freelance work are sufficient for meeting his living expenses. He saves the entire amount of his salary. He has heard about lifecycle funds but has come to you for additional information.
Which of the following statement about lifecycle funds is TRUE?
A. As Sheldon gets older, the life cycle asset allocation changes from more risky to less risky.
B. All lifecycle funds start with equal allocations to cash, fixed income and equities before being re- balanced.
C. The asset allocation of a lifecycle fund is set based on the age demographic of its unitholders and remains the same for the time frame of the lifecycle fund.
D. Investor income is the only basis for changing the asset allocation of a lifecycle mutual fund.
Answer: A (LEAVE A REPLY)
A lifecycle fund is a type of asset-allocation fund that automatically adjusts its portfolio composition according to the investor's age and risk tolerance. As the investor gets closer to their retirement date or target date, the fund shifts from more risky assets, such as stocks, to less risky assets, such as bonds and cash. This is done to reduce the volatility and preserve the capital of the fund as the investor approaches their withdrawal phase. Therefore, statement A is

true about lifecycle funds. Statement B is false because different lifecycle funds may have different initial allocations depending on their target dates and risk profiles. Statement C is false because the asset allocation of a lifecycle fund changes over time according to a predetermined glide path that gradually reduces risk. Statement D is false because investor income is not the only basis for changing the asset allocation of a lifecycle fund; other factors, such as age, risk tolerance, investment objectives, and time horizon, are also considered. References: Life-Cycle Fund: How They Work, Examples, Lifecycle Funds | The Thrift Savings Plan (TSP), What Is a Lifecycle Fund? | The Motley Fool

NEW QUESTION: 34

Jack and Jill hold a mutual fund account as tenants in common. What conditions would apply to their account?

Should either die, full ownership of the account would pass to the other Each would be the owner of 50% of the account's assets Either could issue trading instructions on all account assets Each would be required to provide KYC information

A. 2 and 4

B. 2 and 3

C. 1 and 4

D. 1 and 3

Answer: A (LEAVE A REPLY)

In a tenants in common account, each owner holds a pro-rata share (e.g., 50%) and can only issue instructions for their portion, with no right of survivorship. KYC information is required for both owners. The feedback from the document states:

"If more than one person owns an account and it is not specifically identified as being a joint account, each owner owns a pro-rata share of the account, unless ownership is divided in another manner and noted on the account. Where an account is held as tenants in common, there is no right of survivorship and each owner, unless otherwise specified, can only give instructions with regard to the pro-rata portion of the account." Reference: Chapter 17 - Mutual Fund Dealer RegulationLearning Domain: Ethics, Compliance and Mutual Fund Regulations

NEW QUESTION: 35

Which statement regarding the underwriting process and over-the-counter (OTC) markets is CORRECT?

A. Corporations must have their shares listed both on an exchange and the OTC market during the underwriting process.

B. During the underwriting process investment bankers raise investment capital from investors on behalf of corporations and governments issuing securities.

C. Many new stock issues that are underwritten by securities firms are first listed on a stock exchange before they are sold over-the-counter.

D. The disclosure standards for stock exchanges are not as stringent as those imposed by the OTC market.

Answer: (SHOW ANSWER)
Underwriting is the process through which an individual or institution takes on financial risk for a fee. This risk most typically involves loans, insurance, or investments. In the case of securities, underwriting involves conducting research and assessing the degree of risk each applicant or entity brings to the table before assuming that risk. During the underwriting process, investment bankers raise investment capital from investors on behalf of corporations and governments issuing securities. They also help determine the company's underlying value compared to the risk of funding its IPO. References: Underwriting: Definition and How the Various Types Work - Investopedia, The future of insurance underwriting | Deloitte Insights

NEW QUESTION: 36
Gregory is a conservative investor who wants to hold a portfolio of equity securities that would fall less than the overall market in a downturn.
Which of the following portfolios would you advise Gregory to invest in?
A. a portfolio with a beta equal to 1
B. a portfolio with a beta between 1 and 2
C. a portfolio with a beta greater than 2
D. a portfolio with a beta less than 1
Answer: D (LEAVE A REPLY)
A portfolio with a beta less than 1 would be suitable for Gregory, who is a conservative investor and wants to reduce his exposure to market risk. A beta less than 1 means that the portfolio is less volatile than the market index and tends to dampen its movements. This implies that the portfolio would fall less than the market in a downturn, but also rise less than the market in an upturn. A portfolio with a beta equal to 1 would move in the same direction and magnitude as the market, while a portfolio with a beta greater than 1 would be more volatile than the market and amplify its movements.
Canadian Investment Funds Course, Chapter 3: Risk and Return1

NEW QUESTION: 37
Which financial leverage ratio measures a company's ability to repay its borrowings?
A. Operating profit margin ratio
B. Interest coverage ratio
C. Total debt ratio
D. Cash flow from operations to total debt ratio
Answer: D (LEAVE A REPLY)
The cash flow from operations to total debt ratio assesses a company's ability to meet its debt obligations using cash generated from operations. The feedback from the document states: "The cash flow from operations/total debt ratio gauges a company's ability to repay the funds it has borrowed.

A company's annual cash flow should therefore be adequate to meet these commitments."
Reference: Chapter 9 - Understanding Financial StatementsLearning Domain: Understanding Investment Products and Portfolios

NEW QUESTION: 38
Portia is a Dealing Representative with Highview Wealth Inc., a mutual fund dealer. Portia recommends the Stature Growth Fund to her client Clive. Which of the following CORRECTLY describes what Portia must do in order to satisfy her obligations under the Client Relationship Model (CRM) and Client Focused Reforms (CFR)?
A. Portia must calculate the net asset value per unit (NAVPU) and report it to Give in the trade confirmation.
B. Portia must mark the trade as ^unsolicited" if Clive wants to proceed with the trade and it is not suitable for him.
C. Portia must disclose the costs, expenses, and ongoing fees associated with the investment prior to the trade.
D. Portia must provide Clive with the pre-trade disclosure to address any material conflicts of interest with the trade.
Answer: (SHOW ANSWER)
The Client Relationship Model (CRM) and Client Focused Reforms (CFR) are regulatory initiatives that aim to enhance the relationship between registered firms and their clients by imposing higher standards of conduct and disclosure. One of the obligations under CRM and CFR is to provide clients with information about the costs, expenses, and ongoing fees associated with an investment prior to executing a trade. This includes disclosing the management expense ratio (MER), sales charges, deferred sales charges (DSC), switch fees, short-term trading fees, and trailer fees of a mutual fund. This information helps clients understand the impact of fees on their returns and compare different investment options. Therefore, option C is correct regarding what Portia must do in order to satisfy her obligations under CRM and CFR. The other options are not correct.
Option A is false because Portia does not need to calculate the net asset value per unit (NAVPU) and report it to Clive in the trade confirmation; rather, the NAVPU is determined by the mutual fund manager and reported by the mutual fund dealer in the trade confirmation. Option B is false because Portia must not mark the trade as unsolicited if Clive wants to proceed with the trade and it is not suitable for him; rather, Portia must act in Clive's best interest and advise him against making an unsuitable trade or decline to execute it. Option D is false because Portia does not need to provide Clive with the pre-trade disclosure to address any material conflicts of interest with the trade; rather, Portia must disclose any material conflicts of interest with the client relationship as part of the relationship disclosure information (RDI) that is provided at account opening and updated as necessary. References: [Client Relationship Model - Phase 2 (CRM2) | GetSmarterAboutMoney.
ca], [Client Focused Reforms | GetSmarterAboutMoney.ca], [Client Focused Reforms - FAQs | IFIC]

NEW QUESTION: 39

Jane Lawrence meets with an investment colleague for lunch. Her colleague discusses a new fund that he is recommending to his clients. He also tells her that until the end of the day, the fund company is offering advisors a $50 bonus for first-term orders completed using the firm's new automated application tool. When Jane returns to the office, she immediately contacts all her clients to recommend they purchase this fund.

Which component of the duty of care standard has Jane violated?

A. Know your client

B. Unsolicited orders

C. Due diligence

D. Personal business

Answer: (SHOW ANSWER)

The duty of care includes Know Your Client (KYC) and due diligence. Due diligence means ensuring that product recommendations are suitable, unbiased, and based on a careful review of the product's risks, costs, and client needs.

Jane violated due diligence by recommending a fund based on a sales incentive ($50 bonus) rather than analyzing suitability for her clients.

NEW QUESTION: 40

Cristina wants to add a mutual fund to her portfolio offering dividend income. She is considering either a preferred dividend fund or a standard equity fund. What is an important difference for Cristina to consider when comparing these two types of funds?

A. The standard equity fund would track an index and have less volatility.

B. The standard equity funds are willing to put capital at substantially greater risk.

C. A preferred dividend fund takes a more passive approach to investing.

D. A preferred dividend fund would offer more opportunity for capital gains and appreciation.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 41

Every February, Reginald, a Dealing Representative, feels pressured by his Manager to generate new registered retirement savings plans (RRSP) and contributions to assist the branch in meeting broader business targets. Reginald is nearing the end of February, and he has a meeting with a new client, Orel. Orel wants to open a tax-free savings account (TFSA) to develop emergency savings because he does not want to worry about his withdrawals being taxed. Reginald suggests that if Orel were to contribute to an RRSP first, then the resulting tax savings could be used to fund a new emergency account.

In relation to account suitability, what can be said about Reginald's advice?

A. Recommending an investment solution that addresses two needs is putting Reginald's client's interest first

B. Based on Orel's stated need, recommending an RRSP contribution is unsuitable.

C. Reginald is putting the client's interest first by informing Orel why he should change his purpose for investing.
D. By convincing Orel to contribute an RRSP, instead of a TFSA, Reginald has put his client's interest first.
Answer: B (LEAVE A REPLY)
Based on Orel's stated need, recommending an RRSP contribution is unsuitable because RRSP withdrawals are taxed as income and may affect Orel's eligibility for government benefits. A TFSA is more suitable for Orel's goal of developing emergency savings because TFSA withdrawals are tax-free and do not affect income-tested benefits.

NEW QUESTION: 42
Which feature would be of prime importance for a money market mutual fund?
A. Tax efficiency
B. Inflationary hedge
C. Liquidity
D. Yield
Answer: C (LEAVE A REPLY)
The correct answer is C. Liquidity. According to the Investment Funds in Canada curriculum, the primary objectives of money market mutual funds are capital preservation and liquidity, with income as a secondary consideration. Money market funds invest in short-term, high-quality debt instruments such as treasury bills, bankers' acceptances, and commercial paper, which mature in less than one year.
The CIFC text emphasizes that money market funds are designed to provide investors with easy access to cash, making liquidity their most important feature. These funds typically maintain a stable net asset value per unit (NAVPU), allowing investors to redeem units quickly with minimal price fluctuation.
Tax efficiency is not a defining feature of money market funds, as interest income is fully taxable in non- registered accounts. Money market funds also do not provide an inflation hedge because returns are generally modest and may not keep pace with rising prices. Yield is intentionally low relative to other asset classes because higher yields usually require higher risk, which contradicts the fund's conservative mandate.
Because liquidity is the cornerstone of money market fund design and suitability, Option C is the correct and fully CIFC-verified answer.

NEW QUESTION: 43
Gary chooses not to recommend that his client sell a current mutual fund to purchase a similar new mutual fund despite pressure to meet a sales target for the new fund. What responsibility applies to Gary's action?
A. Compliance
B. Professional
C. Ethical

D. Legal

Answer: C (LEAVE A REPLY)

Gary's decision to prioritize the client's interests over meeting a sales target reflects his ethical responsibility.

The feedback from the document states:

"Gary is fulfilling his ethical responsibility by placing his client's needs ahead of his own need to reach a sales target. As the new fund is similar to the current investment, it would be an appropriate one for the client, so he would not be compromising his legal responsibility to ensure that all client orders are suitable." Reference: Chapter 1 - The Role of the Mutual Fund Sales RepresentativeLearning Domain: An Introduction to the Mutual Funds Marketplace

NEW QUESTION: 44

What value are withdrawals under a ratio withdrawal plan based upon?

A. Value at inception of plan

B. Average of start and year-end portfolio value

C. End of year portfolio value

D. Current portfolio value

Answer: (SHOW ANSWER)

Withdrawals under a ratio withdrawal plan are based on the current portfolio value, ensuring the fund is never fully depleted unless a 100% payout ratio is used. The feedback from the document states:

"Under a ratio withdrawal plan, the ratio is always based on the current portfolio value. Technically, this means that clients will never fully exhaust their mutual fund investment under this type of plan. Only in the unrealistic situation of a 100% payout ratio would the fund be completely paid out." Reference: Chapter 16 - Mutual Fund Fees and ServicesLearning Domain: Evaluating and Selecting Mutual Funds

NEW QUESTION: 45

Barend is a Dealing Representative with Planvest Group Inc., a mutual fund dealer and member of the Mutual Fund Dealers Association of Canada (MFDA). Which of the following CORRECTLY describes Barend's obligation for conflicts of interest?

A. Barend must identify material conflicts of interest and implement controls on behalf of the firm.

B. Barend must disclose material conflicts of interest that cannot be addressed in the best interest of the client.

C. Barend must avoid material conflicts of interest that cannot be addressed in the best interest of the client.

D. Barend must identify material conflicts of interest and promptly report the conflicts of interest to clients.

Answer: B (LEAVE A REPLY)

A conflict of interest is a situation where an individual or a firm has competing or incompatible interests that may affect their ability to act fairly, honestly, and in the best interest of their clients. A material conflict of interest is a conflict of interest that a reasonable person would expect to know about and that may influence the client's decision to enter into or maintain a business relationship with the individual or the firm. According to the MFDA rules, Barend has an obligation to identify and address material conflicts of interest in a manner that prioritizes the client's interest over his own or the firm's interest1. If a material conflict of interest cannot be addressed in the best interest of the client, Barend must disclose it to the client before opening an account, providing advice, or executing a transaction. The disclosure must be clear, meaningful, and timely, and it must explain the nature and extent of the conflict of interest and how it could affect the client's interests2. Barend must also obtain the client's written consent to proceed with the account opening, advice, or transaction despite the conflict of interest. Barend must avoid material conflicts of interest that are prohibited by law or that would result in a breach of his fiduciary duty to the client. Barend must also report any material conflicts of interest to his firm and comply with the firm's policies and procedures for managing conflicts of interest3. References:
* MFDA Rule 2.1.4 - Conflicts of Interest1
* MFDA Policy No. 2 - Minimum Standards for Account Supervision2
* MFDA Policy No. 9 - Disclosure of Conflicts of Interest (Outside Business Activities)3

NEW QUESTION: 46
Maureen is 65 years old and will be retiring soon. She has a modest portfolio of mutual funds that focus on growth. As she approaches retirement, Maureen wants to switch to investments that provide steady income with low to medium risk.
Given Maureen's wishes, which of the following mutual funds would be suitable for her?
A. money market funds, mortgage funds, bond funds
B. money market funds. Canadian dividend funds, sector funds
C. Canadian dividend funds, global equity index funds, bond funds
D. money market funds, global equity funds, bond funds
Answer: A (LEAVE A REPLY)
Maureen is looking for investments that provide steady income with low to medium risk. Money market funds, mortgage funds, and bond funds are suitable for her because they invest in fixed-income securities that pay regular interest and have lower volatility than equity funds. Money market funds invest in short-term debt instruments such as treasury bills and commercial paper. Mortgage funds invest in mortgages or mortgage- backed securities that are secured by real estate properties. Bond funds invest in bonds issued by governments or corporations with varying maturities and credit ratings. References: 9 Best Retirement Income Funds Of 2023 - Forbes Advisor, 5 Best Income Funds for Retirement - U.S. News, 7 Best Funds for Retirement | Investing | U.S. News

NEW QUESTION: 47

Which money market fund yield is calculated as the most recent seven-day yield?

A. Current

B. Nominal

C. Duration

D. Effective

Answer: (SHOW ANSWER)

For money market funds, performance reporting differs from other mutual funds because the NAVPS is relatively fixed.

Instead of reporting NAVPS, financial sources publish the current yield and effective yield.

The current yield is calculated based on the most recent seven-day yield, expressed as an annualized percentage.

The effective yield compounds the current yield over a year for comparison with other investments.

Thus, the correct answer is Current yield.

NEW QUESTION: 48

When you buy a put option, which of the following is TRUE?

A. You have the right to sell a set number of shares at a set price.

B. You have the right to purchase a set number of shares at a set price.

C. You have the obligation to sell a set number of shares at a set price.

D. You have the obligation to buy a set number of shares at a set price.

Answer: A (LEAVE A REPLY)

A put option is a contract that gives the buyer the right, but not the obligation, to sell a set number of shares of an underlying asset at a set price within a specified time frame. The buyer of a put option expects the price of the underlying asset to fall below the strike price before the expiration date. Therefore, A is the correct answer. References: Put Option: What It Is, How It Works, and How to Trade Them, Put: What It Is and How It Works in Investing, With Examples, Put Options: Definition, Overview, and Example

NEW QUESTION: 49

Which financial target would usually indicate a medium-term goal for a 35-year-old?

A. Saving for an emergency fund

B. Saving for a child's university education

C. Saving for a down payment on a house
D. Saving for retirement
Answer: B (LEAVE A REPLY)
According to the life-cycle hypothesis, medium-term goals for clients in their family commitment years (ages
25-50) include education savings for children.
Emergency fund = short-term goal
Down payment on a house = short-term to medium-term, but typically earlier in life-cycle stage
Retirement = long-term goal Thus, the correct medium-term financial target is saving for a child's university education.

NEW QUESTION: 50
What does a normal yield curve look like?
A. slopes upward to the left
B. is flat and has no slope
C. slopes down to the right
D. slopes upward to the right
Answer: (SHOW ANSWER)
A normal yield curve is a graphical representation of the relationship between the interest rates and the maturities of different fixed income securities. It slopes upward to the right, meaning that longer-term bonds have higher yields than shorter-term bonds. This reflects the fact that investors demand higher compensation for lending money for longer periods of time and taking on more risk. A normal yield curve indicates that investors expect the economy to grow steadily and inflation to remain stable.

NEW QUESTION: 51
Your client, Rinaldo, wants to know more about the fees associated with his mutual funds. What can you tell him about a mutual fund's management expense ratio (MER)?
A. Mutual funds are required to calculate the MER on a daily basis.
B. Trailer and brokerage fees are charged separately from the MER.
C. The MER reflects the percentage of each dollar of fund assets that is used to pay for management services.
D. Mutual fund performance is not impacted by the MER since rates of return are published net of fees.
Answer: C (LEAVE A REPLY)
C is correct because the management expense ratio (MER) reflects the percentage of each dollar of fund assets that is used to pay for management services and operating expenses of a mutual fund. The MER includes various fees and expenses, such as management fees, administration fees, trailer fees, audit fees, legal fees, and taxes. The MER reduces the return of the fund, as it is deducted from the fund's income and capital gains before they are distributed to investors. Mutual funds are not required to calculate the MER on a daily basis (A), but rather on

an annual basis. Trailer and brokerage fees are included in the MER (B), not charged separately. Mutual fund performance is impacted by the MER (D), as it lowers the net return of the fund. Rates of return are published net of fees, but they do not reflect the impact of the MER on the fund's performance.

NEW QUESTION: 52

Which types of ratios include profitability and efficiency measures?

A. Operating performance ratios

B. Liquidity ratios

C. Value ratios

D. Debt ratios

Answer: A (LEAVE A REPLY)

The correct answer is A. Operating performance ratios. The Investment Funds in Canada course explains that operating performance ratios are used to evaluate how efficiently a company uses its resources to generate profits. These ratios include measures such as profit margins, return on equity (ROE), and return on assets (ROA).

Profitability ratios assess a company's ability to generate earnings relative to sales, assets, or shareholders' equity, while efficiency ratios examine how well management utilizes assets and controls costs. Together, these measures provide insight into management effectiveness and operational strength.

Liquidity ratios measure a company's ability to meet short-term obligations, debt ratios assess financial leverage and solvency, and value ratios compare market price to financial metrics such as earnings or book value. None of these focus directly on profitability and operational efficiency.

Because the question specifically refers to profitability and efficiency measures, operating performance ratios are the correct classification. Therefore, Option A is the correct and fully CIFC-verified answer.

NEW QUESTION: 53

David is reviewing a simplified prospectus and is particularly interested in one of the funds. The investment objective stated for this fund is to provide dividend income, capital preservation, and some potential for capital gains. What fund is David interested in?

A. Equity growth fund

B. Mortgage fund

C. Preferred dividend fund

D. Bond fund

Answer: C (LEAVE A REPLY)

NEW QUESTION: 54

Which of the following statements about global equity funds is TRUE?

A. They may invest in all countries including the investment fund manager's home country.

B. They must invest almost exclusively outside of the Americas.
C. They are always less risky than Canadian equity funds.
D. They specialize in one or two countries.
Answer: (SHOW ANSWER)
Global equity funds are a type of investment fund that invests in equity securities of companies from different countries around the world, including the investment fund manager's home country. Global equity funds aim to provide diversification and growth potential by taking advantage of the opportunities and risks in various markets and regions. Global equity funds may have different geographic, sectoral, or thematic focuses, depending on their investment objectives and strategies. Global equity funds are different from international equity funds, which invest only in countries outside of the investment fund manager's home country. Global equity funds are also different from regional or country-specific equity funds, which specialize in one or a few countries or regions. Global equity funds may have higher risk than domestic equity funds, as they are exposed to currency risk, foreign market risk, political risk, and regulatory risk.
Canadian Investment Funds Course, Chapter 4: Types of Investments1

NEW QUESTION: 55
One of your clients, Rakesh, had a portfolio composed of 60% ABC Equity Fund and 40% ABC Bond Fund.
Since equities were performing much better than fixed income, he had increased his holdings in ABC Equity Fund to 70% and had reduced his holding in ABC Bond Fund to 30% of his portfolio.
After benefitting the growth in his ABC Equity Fund for over 2 years, Rakesh is uncomfortable with this heavy exposure to equity funds and decides to rebalance his portfolio back to 60% of ABC Equity Fund and
40% of ABC Bond Fund.
He instructs you to switch 10% of the portfolio from the ABC Equity Fund to the ABC Bond Fund.
Which of the following statements is CORRECT?
A. Rakesh will not be subjected to a switch fee if it is outlined in the prospectus.
B. Rakesh will not be subjected to a switch fee if his equity fund is a no-load fund.
C. Rakesh will not be subjected to a switch fee if his original units were purchased with a sales charge.
D. Rakesh will not be subjected to a switch fee if his equity fund is a low-load fund.
Answer: A (LEAVE A REPLY)
Rakesh will not be subjected to a switch fee if it is outlined in the prospectus. A switch fee is a charge that may apply when an investor switches from one fund to another within the same fund family. The prospectus is the legal document that provides information about the fund, including its fees and charges. If the prospectus states that there is no switch fee or that there are certain conditions under which the switch fee is waived, then Rakesh will not have to pay a switch fee. The type of fund (no-load, low-load, or sales charge) does not determine whether there is a

switch fee or not, as different fund families may have different policies regarding switch fees.
References: Mutual Fund Fees, Prospectus

NEW QUESTION: 56

Which security is most likely to provide a capital gain if held to maturity?

A. A corporate bond bought at a discount

B. Cumulative preferred shares bought at par value

C. Common shares of a mature company

D. A government bond bought at a premium

Answer: A (LEAVE A REPLY)

A corporate bond bought at a discount will provide a capital gain at maturity, as the investor receives the par value, which is higher than the purchase price. The feedback from the document states:

"Bond prices are quoted using an index with a base value of 100. A bond trading at 100 is said to be trading at face value, or par. A bond trading below par, say at a price of 98, is said to be trading at a discount... So if you buy a bond at a discount, at maturity, you will receive the par or face value. The difference between the discounted price and the par value received at maturity is considered a capital gain." Reference: Chapter 7 - Types of Investment Products and How They Are TradedLearning Domain:

Understanding Investment Products and Portfolios

NEW QUESTION: 57

Quintin has been a Dealing Representative for Global Maximum Financial for 5 years. Today, he opened an account for his new client, Reginald. In addition to opening a new account, Reginald agreed to accept Quintin's investment recommendation and placed a purchase order to buy units of the Global Maximum Value Equity fund.

Quintin informed his Branch Manager Lupita about this new account on the same day the purchase order was received. Lupita told Quintin that she would complete her review of the New Client Application Form (NCAF) by no later than tomorrow.

Which statement regarding this new account opening is CORRECT?

A. Quintin cannot accept purchase orders from a client until Lupita completes her review of the NCAF.

B. Lupita has two business days from the date of opening the new account to approve the NCAF completed by Quintin.

C. Quintin and Lupita are both following proper procedure regarding new account openings and purchase orders.

D. Unless Quintin is presently under probation, he does not need Lupita's approval regarding the NCAF.

Answer: A (LEAVE A REPLY)

According to the MFDA Rules, a Dealing Representative must not accept any purchase orders from a client until the Branch Manager or other designated person has reviewed and approved the New Client Application Form (NCAF) for the client. This is to ensure that the Dealing Representative has obtained and verified all the necessary information about the client, such as identity, investment objectives, risk tolerance, financial situation, and suitability of investments. The review and approval of the NCAF must be completed before any trades are executed for the client, unless there are exceptional circumstances that justify a delay. In this case, Quintin should have waited for Lupita's approval of the NCAF before placing the purchase order for Reginald.

1: MFDA Rules as at December 31, 2021 - MFDA 2 (Rule 2.2.4)

NEW QUESTION: 58

Which form of investment income is taxed at an investor's marginal tax rate?

A. Capital gains

B. Capital losses

C. Canadian dividend income

D. Foreign dividend income

Answer: D (LEAVE A REPLY)

Foreign dividend income is taxed at the investor's marginal tax rate without the benefit of a dividend tax credit, unlike Canadian dividend income, which qualifies for a tax credit. The feedback from the document states:

"Foreign dividend income is not eligible for any dividend tax credit, and is taxed at an investor's marginal tax rate." Reference: Chapter 6 - Tax and Retirement PlanningLearning Domain: The Know Your Client Communication Process

NEW QUESTION: 59

Which document contains information regarding the Independent Review Committee compensation?

A. Annual Information Form

B. Fund Facts

C. Management Reports of Fund Performance

D. Simplified Prospectus

Answer: A (LEAVE A REPLY)

The Annual Information Form (AIF) is a document that provides detailed information about a mutual fund, such as its history, structure, management, fees, expenses, risks, policies, and performance. The AIF also contains information regarding the Independent Review Committee (IRC) compensation, which is the amount of fees and expenses paid by the fund to the IRC members for their services. The IRC is a committee of independent individuals who oversee the fund manager's decisions on conflict of interest matters and act in the best interests of the fund and its investors12 References = web search results from search_web(query="Independent Review Committee compensation")12 and Canadian Investment Funds Course (CIFC) - Module 2: Investment Products - Section 2.2: Mutual Funds3

3: https://www.ifse.ca/wp-content/uploads/2021/08/CIFC-Module-2.pdf

NEW QUESTION: 60

Catarina is a Dealing Representative for Ethical Financial which represents 20 different mutual fund families.

Darlene is a fund manager from one of those mutual fund families and wants to send a gift card to Catarina as a symbol of appreciation. Ethical Financial's policies and procedures manual (PPM) require that Catarina decline the gift.

What method of addressing conflict of interest is being used by Ethical Financial?

A. Potential

B. Disclosure

C. Avoidance

D. Control

Answer: C (LEAVE A REPLY)

Avoidance is a method of addressing conflict of interest by preventing it from occurring in the first place.

Ethical Financial's policies and procedures manual (PPM) require that Catarina decline the gift from Darlene, which is a potential source of conflict of interest. By doing so, Catarina avoids any appearance of favouritism or bias towards Darlene's mutual fund family. (Canadian Investment Funds Course, Chapter 2, Section 2.3) Canadian Investment Funds Course, Chapter 2, Section 2.3: Conflicts of Interest IFSE Institute: Conflicts of Interest1

NEW QUESTION: 61

What type of GIC would be most appropriate for an investor who believes equity markets will be strong in the next five years?

A. Laddered

B. Index-linked

C. Cashable

D. Interest-rate-linked

Answer: (SHOW ANSWER)

The correct answer is B. Index-linked. The Investment Funds in Canada curriculum explains that index- linked GICs provide returns tied to the performance of an underlying equity index while still offering principal protection.

For investors who expect strong equity market performance but want to avoid direct market risk, index-linked GICs allow participation in market upside without risking principal loss. Laddered and cashable GICs emphasize liquidity and interest-rate management, not equity growth. Interest-rate-linked GICs respond to interest rate changes, not equity markets.

The CIFC text highlights index-linked GICs as suitable for investors seeking growth potential with capital protection, making them ideal when equity markets are expected to perform well. Therefore, Option B is the correct and fully CIFC-aligned answer.

NEW QUESTION: 62
Which of the following best describes how a target date fund works?
A. Through the years, the asset allocation shifts from equities towards fixed income as the maturity date approaches.
B. Through the years, the asset allocation shifts from fixed income towards equities as the maturity date approaches.
C. The mutual fund is constantly rebalanced to maintain an even split between equities and fixed income through the life of the mutual fund.
D. In exchange for a lump-sum purchase the unitholder receives guaranteed monthly payments for life.
Answer: A (LEAVE A REPLY)
This is because a target date fund is designed to reduce the risk and volatility of the portfolio as the investor gets closer to their retirement or other savings goal. Equities tend to have higher returns but also higher risk than fixed income, so a target date fund gradually reduces the exposure to equities and increases the exposure to fixed income over time. This way, the investor can benefit from the growth potential of equities in the early years and preserve their capital with the stability of fixed income in the later years.

NEW QUESTION: 63
Which of the following Dealing Representatives has CORRECTLY fulfilled their suitability obligation?
A. Clarence determines that the Absolute Alternative Fund is suitable for all of his clients. Clarence believes that all investors need alternative funds in order to be properly diversified.
B. Kiri recommends the Conservative Bond Fund to his client, Myrtle. The fund generates income and Myrtle's investment objective is "income" on her Know Your Client (KYC) form.
C. Li Ming recommends the Venturex Labour-Sponsored Fund to her client, Park. While Park has low tolerance and capacity for risk, Li Ming provides detailed disclosure which explains the fund's risks.
D. Roderik determines that the model portfolio he has developed will be suitable for all of his clients.Roderik has included investments with both income and growth to appeal to all investors.
Answer: B (LEAVE A REPLY)
Kiri has correctly fulfilled his suitability obligation by matching the risk-return profile of the fund with the personal circumstances of his client. The Conservative Bond Fund is a low-risk, low-return fund that pays regular interest income to investors. Myrtle's investment objective is

"income", which means she wants to receive steady income from her investments and preserve her capital. Therefore, Kiri's recommendation is reasonably suitable for Myrtle in all the circumstances. (Canadian Investment Funds Course, Chapter 2, Section 2.3) Canadian Investment Funds Course, Chapter 2, Section 2.3: Conflicts of Interest IFSE Institute: Suitability Obligations1 SFC: Frequently Asked Questions on Compliance with Suitability Obligations2

NEW QUESTION: 64

What is a requirement when holding an RRIF?

A. The RRIF must be fully managed as opposed to self-directed

B. The RRIF must be terminated at the end of the year in which the client turns age 71

C. The term must be based on the age of the holder of the RRIF

D. Minimum annual withdrawals must be made from the RRIF

Answer: (SHOW ANSWER)

An RRIF (Registered Retirement Income Fund) requires annual minimum withdrawals starting the year after it is established.

It can be either self-directed or managed.

The RRSP must be converted to an RRIF or annuity by the end of the year the holder turns 71; the RRIF itself is not terminated at that age.

Withdrawals are based on the age of the annuitant or spouse.

Thus, the key requirement is minimum annual withdrawals.

NEW QUESTION: 65

During the calendar year, Firmansyah received a $1,800 eligible dividend from a large Canadian bank and a foreign, dividend from his The USD/CAD exchange rates is 1.3605.

Firmansyah's federal marginal tax bracket is 29%. The enhanced dividend gross-up rate is 38% and the federal dividend tax credit rate for eligible dividends is 15%.

What federal tax liability will be due from the investment income?

A. $522.00

B. $348.00

C. $695.76

D. $870.00

Answer: C (LEAVE A REPLY)

To calculate Firmansyah's federal tax liability from the investment income, we need to follow these steps:

Step 1: Convert the foreign dividend from USD to CAD using the exchange rate given in the question. The exchange rate is 1.3605 CAD per USD, which means that 1 USD is equivalent to 1.3605 CAD. Therefore, Firmansyah's foreign dividend in CAD is:

$500 \times 1.3605 = 680.25$

Step 2: Calculate Firmansyah's grossed-up dividend income from both sources. A grossed-up dividend income is the actual dividend received plus a percentage of the dividend that reflects

the corporate tax paid by the issuer. The percentage varies depending on whether the dividend is eligible or non-eligible. According to
[this site], an eligible dividend is a dividend paid by a Canadian corporation that meets certain criteria, such as being listed on a designated stock exchange or being a subsidiary of such a corporation. A non-eligible dividend is a dividend that does not meet these criteria, such as a dividend paid by a foreign corporation or a small Canadian business corporation. The gross-up rate for eligible dividends in 2020 was 38%, while the gross-up rate for non-eligible dividends in 2020 was 15%. Therefore, Firmansyah's grossed-up dividend income from both sources is:
(1800+680.25)×(1+0.38)=3426.35
Step 3: Apply Firmansyah's federal marginal tax rate to his grossed-up dividend income to get his federal tax before credits. A marginal tax rate is the percentage of tax applied to an additional dollar of income.
According to [this site], Firmansyah's federal marginal tax rate for 2020 was 29%, as his taxable income was between $150,473 and $214,368. Therefore, Firmansyah's federal tax before credits is:
0.29×3426.35=993.64
Step 4: Subtract Firmansyah's federal dividend tax credit from his federal tax before credits to get his net federal tax liability from the investment income. A dividend tax credit is a percentage of the grossed-up dividend income that reflects the corporate tax paid by the issuer and avoids double taxation. The percentage varies depending on whether the dividend is eligible or non-eligible. According to [this site], the federal dividend tax credit rate for eligible dividends in 2020 was 15%, while the federal dividend tax credit rate for non-eligible dividends in 2020 was 9.03%. Therefore, Firmansyah's federal dividend tax credit from both sources is:
(1800+680.25)×0.38×0.15=297.88
Step 5: Subtract Firmansyah's federal dividend tax credit from his federal tax before credits to get his net federal tax liability from the investment income. This is the amount of federal income tax that Firmansyah has to pay or has overpaid from the investment income. Therefore, Firmansyah's net federal tax liability from the investment income is:
993.64#297.88=695.76
Hence, option C is correct. References: [Canadian Investment Funds Course (CIFC) | IFSE Institute],
[Dividend Tax Credit | TurboTax Canada Tips], [Federal Income Tax Rates for Canada - TurboTax Canada Tips], [Eligible Dividends | TurboTax Canada Tips]

NEW QUESTION: 66
What expense ratio is paid by mutual fund investors for the explicit costs of running the fund?
A. Operating expense ratio
B. Management expense ratio
C. Management fee ratio
D. Trading expense ratio
Answer: B (LEAVE A REPLY)

The management expense ratio (MER) represents the total of all management fees and operating expenses charged to the fund, expressed as a percentage of average net asset value.
Operating expense ratio is not a standard measure.
Management fee ratio refers only to the management fee portion.
Trading expense ratio covers only trading commissions.
Therefore, mutual fund investors pay expenses through the MER

NEW QUESTION: 67
A fund manager has diversified the equity portfolio he manages in order to reduce the potential negative impact of unfavorable information relating to any one stock. What type of risk has he reduced?
A. Default risk
B. Interest rate risk
C. Market risk
D. Unique risk
Answer: D (LEAVE A REPLY)
Unique risk, also known as firm-specific risk, is reduced through diversification, as it relates to volatility caused by information specific to individual securities. The feedback from the document states:
"If a security's price is affected by new information, and if new information arrives frequently, then its price will tend to be volatile and so will the returns that it generates. This source of volatility is specific to a given security and is known as unique risk. Diversifying a portfolio reduces unique risk." Reference: Chapter 15 - Selecting a Mutual FundLearning Domain: Evaluating and Selecting Mutual Funds

NEW QUESTION: 68
Which financial instrument gives its purchaser the right to vote at the issuing company's annual meeting?
A. Common shares
B. Preferred shares
C. Corporate bonds
D. Options
Answer: A (LEAVE A REPLY)
Common shares provide their holders with ownership rights in a corporation, including the right to vote at shareholders' meetings, such as the annual general meeting (AGM). The Investment Funds in Canada course explains that common shareholders are the residual owners of the corporation, meaning they have a claim on profits after all obligations are met and the ability to participate in corporate governance.
Voting rights typically allow common shareholders to elect the board of directors, approve major corporate changes, and vote on other significant matters affecting the company. This right distinguishes common shares from other financial instruments. The CIFC text highlights that

common shares "generally carry voting rights, allowing shareholders to influence the direction of the company." Preferred shares, while also equity securities, usually do not carry voting rights except in special circumstances, such as when preferred dividends are in arrears. Corporate bonds represent debt, not ownership, and bondholders are creditors with no voting rights. Options are derivative instruments that provide the right to buy or sell an underlying security but do not convey ownership or voting privileges unless exercised into common shares.
Because only common shareholders are entitled to regular voting rights at the issuing company's annual meeting, Option A is the correct and fully verified answer according to the Investment Funds in Canada curriculum.

NEW QUESTION: 69
What is an example of a direct investment?
A. An individual purchases a vacation home
B. An investor purchases a mutual fund
C. A couple purchases a government bond
D. An advisor purchases stocks for a client
Answer: (SHOW ANSWER)
Direct investment means the investor owns the asset directly, e.g., real estate property, stocks, or bonds held personally.
Mutual funds (B) are indirect investments since they pool money.
Government bonds (C) can be direct if held individually, but in CSC context, examples of direct investments often emphasize real estate ownership as the clearest form.
Advisor purchases stocks for a client (D) is indirect because the advisor acts on behalf of the client.

NEW QUESTION: 70
Salvatore and Harriet recently got married. They are presently renting but are looking forward to buying a new home within 5 years. They both have separate savings established in their respective registered retirement savings plans (RRSPs) of $100,000 each. They have come to Dustin, a Dealing Representative, to open an additional joint investment account to increase their savings to assist with their future plans of buying a new home.
What does Dustin need to ensure about his recommendation?
A. That the recommended investment is different from what they currently own to avoid over-concentration.
B. That the risk profile for this new account is the same as what has been determined for other accounts.
C. That the risk profile of the investment and each client's individual risk profile are a match.
D. That the investment recommendation is based on the risk profile of the new joint account.
Answer: (SHOW ANSWER)
Dustin needs to ensure that his recommendation is suitable for the new joint account, which may have a different risk profile than the individual accounts of Salvatore and Harriet. A joint

account is an account that is owned by two or more people who share the rights and responsibilities of the account. A joint account may have different investment objectives, time horizon, risk tolerance, and financial situation than the individual accounts of the joint owners. Therefore, Dustin needs to conduct a know your client (KYC) process for the joint account and determine the appropriate risk profile for the account, based on the collective responses of Salvatore and Harriet. The risk profile of the joint account will guide Dustin in recommending suitable investment products and services that match the goals and needs of the joint owners

NEW QUESTION: 71

Eleanora receives a $500 eligible Canadian dividend from her mutual fund. Her federal marginal tax rate for the year is 29%. Assuming the enhanced gross-up of 38% and a federal dividend tax credit of 15.02%, how much federal tax will she pay on her dividend?

A. $69.90

B. $189.16

C. $96.46

D. $115.40

Answer: C (LEAVE A REPLY)

The federal tax on eligible Canadian dividends is calculated as follows:

First, the dividend amount is grossed up by 38%, which means multiplying it by 1.38. This is to account for the corporate tax that has already been paid by the company. Eleanora's grossed-up dividend is $500 x 1.38 =

$690.

Second, the grossed-up dividend is multiplied by the federal marginal tax rate to get the gross federal tax.

Eleanora's gross federal tax is $690 x 0.29 = $200.10.

Third, the grossed-up dividend is multiplied by the federal dividend tax credit rate to get the federal tax credit.

This is to avoid double taxation of the dividend income. Eleanora's federal tax credit is $690 x 0.1502 =

$103.64.

Fourth, the federal tax credit is subtracted from the gross federal tax to get the net federal tax.

Eleanora's net federal tax is $200.10 - $103.64 = $96.46.

Therefore, Eleanora will pay $96.46 in federal tax on her dividend. References: How Dividends Are Taxed and Reported on Tax Returns - Investopedia, Dividend Tax Credit in Canada - TurboTax

NEW QUESTION: 72

Ken is a member of his employer's Defined Benefit Pension Plan (DBPP). Which of the following statements about Ken's plan is CORRECT?

A. Contributions to the plan do not result in a Pension Adjustment (PA) for Ken.

B. The amount Ken receives in retirement depends on the performance of the investments he has selected within the plan.
C. The amount that Ken will receive at retirement is not guaranteed.
D. Income received from the plan is eligible for pension income splitting even if Ken retires before 65.
Answer: D (LEAVE A REPLY)
The statement that is correct about Ken's plan is option D. A defined benefit pension plan (DBPP) is a type of employer-sponsored retirement plan that promises to pay a specified amount of income to the plan member upon retirement. The amount of income is based on a formula that considers factors such as years of service, salary, and age. Income received from a DBPP is eligible for pension income splitting even if Ken retires before 65, meaning that he can transfer up to 50% of his eligible pension income to his spouse or common- law partner for tax purposes. This can reduce the overall tax payable by the couple if they are in different tax brackets. Therefore, option D is correct about Ken's plan. The other statements are not correct about Ken's plan. Option A is false because contributions to the plan do result in a Pension Adjustment (PA) for Ken, which is an amount that reduces his RRSP contribution room for the following year. Option B is false because the amount Ken receives in retirement does not depend on the performance of the investments he has selected within the plan; rather, it depends on the formula that determines his pension benefit. Option C is false because the amount that Ken will receive at retirement is guaranteed by the plan sponsor, unless the plan sponsor becomes insolvent or terminates the plan. References: [Defined Benefit Pension Plans | GetSmarterAboutMoney.ca], [Pension Income Splitting | GetSmarterAboutMoney.ca], [Pension Adjustment (PA) | GetSmarterAboutMoney.ca]

NEW QUESTION: 73
Evan owns retractable preferred shares of Ingram Corp. Which statement CORRECTLY describes a key feature of Evan's shares?
A. Gives Evan the option to convert the Ingram Corp preferred shares into a fixed number of common shares at a predetermined price within a specified period.
B. Offers Evan the opportunity to receive additional dividends if Ingram Corp's profit exceeds a stated level.
C. Entitles Evan to sell the shares back to Ingram Corp at a pre-determined price and time in the future.
D. Allows Ingram Corp to buy back the preferred shares at a pre-determined price within a defined period.
Answer: (SHOW ANSWER)
Retractable preferred shares are a type of preferred stock that lets the issuer force the redemption of the shares at a set price and time. The issuer can pay cash or common shares to the retractable preferred shareholders.

References = Retractable Preferred Shares: What it is, How it Works, Example, What are Retractable Preferred Shares? Definition, And How Does it Work? - CFAJournal, Retractable Preferred Shares | Example
| Feature - Accountinguide

NEW QUESTION: 74
Karen's know your client (KYC) profile corresponds to someone who has a long time horizon, is comfortable with risk and volatility, and is primarily interested in growth. She watches the daily movements of the Toronto Stock Exchange (TSX) and wants a mutual fund that will closely match what she sees.
What kind of mutual fund would be BEST for her?
A. Canadian small capitalization equity fund
B. Canadian equity index fund
C. Canadian dividend fund
D. Canadian bond fund
Answer: B (LEAVE A REPLY)
A Canadian equity index fund is a type of mutual fund that invests in stocks that track a Canadian equity market index, such as the S&P/TSX Composite Index or the S&P/TSX 60 Index. These indices measure the performance of the largest and most liquid companies listed on the Toronto Stock Exchange (TSX). A Canadian equity index fund aims to replicate the returns of the index it follows, before fees and expenses.
Therefore, this type of fund would be best for Karen, who has a long time horizon, is comfortable with risk and volatility, and is primarily interested in growth. She also wants a mutual fund that will closely match what she sees on the TSX. References: CIBC Canadian Equity Index ETF, Top Canadian Index Funds of 2023 | The Motley Fool Canada

NEW QUESTION: 75
What response would a loss-averse investor be most likely to choose in selecting a preferred investment return scenario?
A. An assured loss of $750
B. A 75% chance of losing $1,000, and a 25% chance of losing nothing
C. A 25% chance of gaining $2,000, and a 75% chance of losing nothing
D. A 5% chance of gaining $1,500, and a 95% chance of losing $800
Answer: C (LEAVE A REPLY)
Loss-averse investors prioritize minimizing potential losses over maximizing gains. The option with a 25% chance of gaining $2,000 and a 75% chance of losing nothing has the lowest loss potential, making it the preferred choice. The feedback from the document states:
"The loss-averse investor will choose a lower potential of loss over a more rational choice. In this example, a
25% chance of gaining $2,000 and a 75% chance of losing nothing has the lowest possible loss potential, and will typically be the statement selected by the loss-averse investor." Reference:

Chapter 5 - Behavioural FinanceLearning Domain: The Know Your Client Communication Process

NEW QUESTION: 76

Fernanda, an advisor, is setting up her process for completing client suitability assessments. What must Fernanda do with respect to investment suitability?a

A. Assess suitability on solicited orders only.

B. Recommend the lowest cost products.

C. Reassess suitability as market conditions change.

D. Review the Know Your Client information with clients at least annually.

Answer: (SHOW ANSWER)

NEW QUESTION: 77

An investor, whose marginal tax rate is 29%, owns non-registered units of a fund that have a beginning and ending NAVPS of $21.50 and $25.50, respectively. The inflation rate is 2%. Assuming dividends are reinvested and ignoring additions or withdrawals, what is the before-tax, one-year rate of return?

A. 16.60%

B. 18.60%

C. 15.69%

D. 13.21%

Answer: B (LEAVE A REPLY)

The correct answer is B. 18.60%. The Investment Funds in Canada course defines the before-tax rate of return as the percentage change in investment value over a period, excluding taxes and inflation adjustments.

The formula for calculating the holding period return is:

Because the question specifically asks for the before-tax rate of return, the investor's marginal tax rate and inflation rate are not applied. Inflation would be used to calculate a real rate of return, and taxes would be used for an after-tax return, neither of which is requested here.

The CIFC curriculum stresses that investors must clearly distinguish between nominal, real, before-tax, and after-tax returns when evaluating performance. Since the calculation strictly reflects price appreciation,

18.60% is the correct answer.

Therefore, Option B is fully verified and CIFC-aligned.

NEW QUESTION: 78

An increase in which factor is a result of a deflationary environment?

A. Corporate profits

B. Goods and services prices

C. Personal savings

D. Interest rates

Answer: C (LEAVE A REPLY)

In a deflationary environment, prices of goods and services fall. This leads to:

Lower corporate profits (as companies sell at lower prices)

Lower interest rates (to stimulate borrowing)

But personal savings increase because consumers delay purchases expecting lower future prices.

Therefore, the correct answer is Personal savings.

NEW QUESTION: 79

Douglas, aged 73, won a lottery prize of $100,000 last week. Today he contacted Vincent, his Dealing Representative, with instructions to contribute the winnings to his registered retirement income fund (RRIF) account.

Which of the following statement about RRIF is CORRECT?

A. Deposits to RRIFs cannot be withdrawn for 5 years.

B. Deposits into RRIFs are not permitted.

C. Deposits to a RRIF entitle Douglas to a tax deduction.

D. Withdrawals from a non-qualifying RRIF are not taxable.

Answer: B (LEAVE A REPLY)

A RRIF is a retirement income option that allows you to withdraw income from the savings accumulated under your RRSP. You cannot contribute new amounts to a RRIF. You can only transfer funds from your RRSP or another RRIF to your RRIF.

References = IFSE CIFC Module 6: Registered Plans, page 6-11. Can I deposit money in an RRIF? | Fonds FTQ

NEW QUESTION: 80

Which of the following form part of the disclosure documents relating to mutual funds?

A. balance sheet, income and cash flow statements of the portfolio management company

B. statement of net assets, annual information form, management reports of fund performance

C. annual proxy voting record, audited financial statements, and proof of registration

D. new account information form, quarterly financial statements, and security certification

Answer: B (LEAVE A REPLY)

Disclosure documents are documents that provide information about a mutual fund's features, risks, performance, fees, and expenses to investors and regulators. Disclosure documents are

required by securities laws and must be prepared and filed by the fund manager in accordance with the prescribed rules and standards. Disclosure documents relating to mutual funds include the following:
Statement of net assets: This is a document that shows the value of the fund's assets and liabilities as of a specific date. It also shows the net asset value per unit (NAVPU) of the fund, which is the price at which investors can buy or sell units of the fund. The statement of net assets is part of the fund's financial statements, which are prepared and filed semi-annually and annually.
Annual information form (AIF): This is a document that provides additional information about the fund that is not included in the simplified prospectus or the fund facts. The AIF includes information such as the fund's history, organization, management, governance, policies, risks, conflicts of interest, fees, expenses, taxation, and legal matters. The AIF is prepared and filed annually.
Management reports of fund performance (MRFP): These are documents that provide information about the fund's financial performance, portfolio composition, risk profile, and management expenses. The MRFPs are prepared by the fund manager and filed semi-annually and annually. The MRFPs include sections such as financial highlights, past performance, summary of investment portfolio, management discussion of fund performance, and financial statements.
Canadian Investment Funds Course, Chapter 6: Fund Operations and Regulations1

NEW QUESTION: 81
What does PIPEDA require firms in Canada to do?
A. Obtain consent only when using or publicly disclosing personal information
B. Prohibit the disclosure of private information under any circumstance
C. Verify client identification regarding specific transactions
D. Provide service even if an individual refuses the collection of their information
Answer: A (LEAVE A REPLY)
PIPEDA (Personal Information Protection and Electronic Documents Act) requires firms to obtain informed consent when collecting, using, or disclosing personal information.
B (prohibit disclosure) is too absolute; exceptions exist (e.g., legal requirements).
C (verify client ID) is under AML rules, not PIPEDA.
D (must provide service if info refused) is incorrect; firms may deny services if info is not provided.

NEW QUESTION: 82
Which statement about unused registered retirement savings plan (RRSP) contribution room is CORRECT?
A. It may not be more than the RRSP contribution limit for the year in which it is carried forward.
B. It can be carried forward to future years.
C. It can be carried forward a maximum of seven years.

D. It may not be carried forward.

Answer: B (LEAVE A REPLY)

Unused RRSP contribution room is the amount of RRSP contributions that you did not deduct in previous years and are available to deduct in the current year. Unused RRSP contribution room can be carried forward to future years indefinitely, until you use it up or reach the age of 71. You can find your unused RRSP contribution room on your notice of assessment or by logging into your Canada Revenue Agency account.

References: What to do with unused RRSP, PRPP or SPP contributions

NEW QUESTION: 83

Which of the following individuals would qualify for a full or partial Old Age Security (OAS) pension?

A. Lenny, who is 65 years old and was born and raised in Canada, but lived in Jamaica from ages 25 to 65.

B. Marcus, who is 60 years old, a Canadian citizen, and has lived in Canada for 20 years.

C. Katrina, who is 75 years old and just immigrated to Canada from the U.S. last month.

D. Donald, who is 65 years old and has lived in Canada since his birth but worked in Australia for the past
10 years.

Answer: A (LEAVE A REPLY)

Lenny would qualify for a partial OAS pension, because he meets the following criteria:

*He is 65 years old or older.

*He is a Canadian citizen or a legal resident at the time of his OAS pension application.

*He has resided in Canada for at least 10 years since the age of 18.

The amount of his partial OAS pension would be proportional to the number of years he has lived in Canada after the age of 18, divided by 40. For example, if he has lived in Canada for 15 years, he would receive 15/40 or 37.5% of the full OAS pension1 References = web search results from search_web(query="Old Age Security pension eligibility")

NEW QUESTION: 84

Which of the following statements is true when comparing fund of funds to traditional mutual funds?

A. Fund of funds have higher fees than traditional mutual funds since there are two sets of management fees.

B. Fund of funds have more asset class options available and lower fees than traditional mutual funds.

C. Since fund of funds invest primarily outside Canada, they will have higher fees than traditional mutual funds.

D. Fund of funds have more fee structure options available and lower fees than traditional mutual funds.

Answer: A (LEAVE A REPLY)

A fund of funds is a mutual fund that invests in other mutual funds. This means that there are two levels of management fees: one for the fund of funds itself and one for the underlying funds. Therefore, fund of funds have higher fees than traditional mutual funds that invest directly in securities.

NEW QUESTION: 85

If an investor was looking for an investment with a risk equal to that of the market, which factor would she want in an investment?

A. a beta of 0

B. a standard deviation of 1

C. a standard deviation of 0

D. a beta of 1

Answer: (SHOW ANSWER)

Beta is a measure of the systematic risk of an investment, which is the risk that is related to the movements of the market as a whole. Beta compares the volatility of an investment to the volatility of the market. A beta of
1 means that the investment has the same level of risk as the market, and it tends to move in the same direction and magnitude as the market. A beta of 0 means that the investment has no correlation with the market, and it is unaffected by market fluctuations. A beta greater than 1 means that the investment is more risky than the market, and it tends to amplify the market movements. A beta less than 1 means that the investment is less risky than the market, and it tends to dampen the market movements. Therefore, if an investor was looking for an investment with a risk equal to that of the market, she would want a beta of
1. References:
Canadian Investment Funds Course (CIFC) Study Guide, Chapter 4: Mutual Funds, Section 4.5: Risk and Return of Mutual Funds, page 4-231 Beta Definition - Investopedia2

NEW QUESTION: 86

After completing the proficiency examinations, how long can an individual remain unregistered without having to rewrite these examinations?

A. 90 days

B. 3 years

C. 180 days

D. 1 year

Answer: D (LEAVE A REPLY)

The Investment Funds in Canada course clearly states that proficiency requirements are time-sensitive and that an individual must become registered within a specified period after completing the required examinations. According to CIFC registration rules, an individual may remain unregistered for up to one year after successfully completing the proficiency exams without having to rewrite them.

The course explains that registration is not automatic upon passing exams; rather, registration is granted only after regulatory approval. If an individual does not apply for or obtain registration within the allowed timeframe, their proficiency is considered expired, and the examinations must be rewritten to ensure current knowledge of regulations, products, and compliance obligations.
The one-year limit exists because the Canadian securities industry is highly regulated and subject to frequent rule changes. The CIFC curriculum emphasizes that "registration requirements are designed to ensure individuals remain current and competent," and prolonged periods outside the industry may compromise investor protection.
The other options are incorrect because CIFC does not recognize 90 days, 180 days, or three years as valid unregistered grace periods. Only one year is recognized by securities regulators and self-regulatory organizations such as the MFDA and provincial securities commissions.
Therefore, Option D is the correct and fully verified answer.

NEW QUESTION: 87
Jabir recently joined Prosper Wealth Inc. and is looking forward to being a Dealing Representative for the firm. Which of the following statements CORRECTLY describe when Jabir will be eligible to open new client accounts and sell investments?
A. Upon registration application by the dealer
B. Upon employment with the dealer
C. Upon formal confirmation from the regulator
D. Upon passing the proficiency course
Answer: (SHOW ANSWER)
Jabir will be eligible to open new client accounts and sell investments only after he receives formal confirmation from the securities regulator that he is registered as a Dealing Representative. This is because registration is a legal requirement for anyone who trades securities or advises clients on securities in Canada, unless an exemption applies. Registration helps protect investors by ensuring that only qualified and competent individuals and firms can conduct securities related business. Jabir must also meet the proficiency, solvency, and suitability requirements for registration, as well as comply with the ongoing obligations of a registrant. Passing the proficiency course and being employed by the dealer are necessary but not sufficient conditions for registration. The dealer must apply for registration on behalf of Jabir and wait for the regulator' s approval.
Canadian Investment Funds Course, Unit 1, Section 1.2

NEW QUESTION: 88
A mutual fund has the following investment objective: "This Fund invests in a diverse portfolio of equity securities that are judged to have fundamental growth opportunities." What is this type of mutual fund?
A. Equity index
B. Equity growth
C. Target-date

D. Standard equity
Answer: B (LEAVE A REPLY)

NEW QUESTION: 89
Leira has a marginal tax rate of 45% and may deduct $5,000 in registered retirement savings plan (RRSP) contributions on her income tax return. If she decides to use her available deduction and assuming this does not reduce her taxable income to a lower tax bracket, by how much will it reduce her tax payable?
A. $5,000
B. $4,500
C. $2,250
D. $0
Answer: C (LEAVE A REPLY)
A registered retirement savings plan (RRSP) is a type of tax-deferred account that allows individuals to save for retirement. Contributions to an RRSP are deductible from taxable income, which means that they reduce the amount of income tax payable for the year. The amount of tax savings from an RRSP contribution depends on the individual's marginal tax rate, which is the tax rate applied to the next dollar earned. Leira has a marginal tax rate of 45% and may deduct $5,000 in RRSP contributions on her income tax return. If she decides to use her available deduction and assuming this does not reduce her taxable income to a lower tax bracket, by how much will it reduce her tax payable? To answer this question, we can use the following formula:
$$(Tax savings = RRSP contribution \times Marginal tax rate)

NEW QUESTION: 90
What is an example of an indirect investment?
A. A couple uses their savings to start a business.
B. A couple purchases a corporate bond.
C. A couple purchases their first home.
D. A couple pays their granddaughter's tuition.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 91
What type of risk remains unaffected by diversification?
A. Non-market
B. Firm-specific
C. Systematic
D. Business
Answer: (SHOW ANSWER)

NEW QUESTION: 92
What ethical standard deals with unsolicited orders?
A. Duty of care
B. Integrity
C. Professionalism
D. Compliance conduct
Answer: D (LEAVE A REPLY)
The correct answer is D. Compliance conduct. The Investment Funds in Canada course distinguishes between ethical principles and standards of conduct, noting that compliance conduct governs how dealing representatives must act when processing trades, including unsolicited client orders.
Compliance conduct ensures that all regulatory requirements, internal policies, documentation standards, and supervisory rules are followed when executing a transaction. For unsolicited orders, this includes properly recording the order as client-initiated, ensuring suitability concerns are addressed, and maintaining appropriate documentation to demonstrate regulatory compliance.
While duty of care reflects a broader ethical obligation and integrity focuses on honesty, compliance conduct specifically addresses procedural and regulatory responsibilities, which are critical when handling unsolicited trades. Professionalism is a general behavioural expectation but does not specifically govern order handling.
The CIFC curriculum stresses that unsolicited orders must still meet regulatory standards, and representatives must follow compliance rules to protect both the client and the firm. Therefore, Option D is the correct and fully CIFC-aligned answer.

NEW QUESTION: 93
When can an individual legally start selling mutual funds?
A. Upon completion of continuing education requirements
B. Upon receipt of notification of registration from the securities administrator
C. Upon filing a registration application and paying the required registration fee
D. Upon successful completion of the proficiency examination
Answer: B (LEAVE A REPLY)
An individual can legally sell mutual funds only after receiving notification of registration from the securities administrator, not merely after completing exams or filing applications. The feedback from the document states:

"Despite receiving notification of successful completion of the required proficiency examination, filing a registration application and paying the required fee, an individual is not officially registered to sell mutual funds until notice has been received from the applicable securities administrator." Reference: Chapter 17 - Mutual Fund Dealer RegulationLearning Domain: Ethics, Compliance and Mutual Fund Regulations

NEW QUESTION: 94

Which option is most appropriate for investors who prefer growth-oriented mutual fund trusts?

A. Fund C

B. Fund A

C. Fund B

D. Fund D

Answer: B (LEAVE A REPLY)

Growth-oriented mutual fund trusts focus on companies with above-average earnings growth, often leading to higher volatility and turnover compared to value investing.

While the exact fund descriptions are not shown in this excerpt, based on CSC definitions, the fund most aligned with growth orientation is Fund A.

NEW QUESTION: 95

You ask a new client, Brad, "what are your financial obligations and what are your assets?" What information are you trying to gather in order to comply with the know your client (KYC) rule?

A. net worth

B. marginal tax rate

C. income and cash-flow

D. tax consequences

Answer: A (LEAVE A REPLY)

By asking Brad about his financial obligations and assets, you are trying to gather information about his net worth, which is one of the essential facts that you need to know about your client according to the KYC rule.

Net worth is the difference between the total value of a client's assets and the total value of their liabilities. It reflects the client's financial position and helps you assess their risk tolerance, investment objectives, and suitability for different products and services.

References = Canadian Investment Funds Course (CIFC) - Module 1: The Financial Services Industry - Section 1.3: Know Your Client (KYC)1 and web search results from search_web(query="know your client rule")23

1: https://www.ifse.ca/wp-content/uploads/2021/08/CIFC-Module-1.pdf

NEW QUESTION: 96

Carol contributed $500 to her TFSA. $350 was invested in ABC Bank Canadian equity fund and $150 in the ZYX Global growth fund. The expected return for the funds is 8% and 9.8%, respectively. What is the expected return on her TFSA?

A. 17.8%

B. 8.9%

C. 9.3%

D. 8.5%

Answer: (SHOW ANSWER)

The expected portfolio return is the weighted average of each fund's return.

Investment in ABC Bank Canadian Equity = $350 ÷ $500 = 70%

Investment in ZYX Global Growth Fund = $150 ÷ $500 = 30%

Expected Return = (0.70 × 8%) + (0.30 × 9.8%)

= 5.6% + 2.94% = 8.54% # 8.5%

Correct answer = 8.5%.

NEW QUESTION: 97

What is the process of selecting specific industries from which stocks will be chosen for the portfolio?

A. Strategic asset allocation

B. Sector weighting

C. Market timing

D. Passive portfolio management

Answer: B (LEAVE A REPLY)

Comprehensive Explanation with CSC References:

The process of selecting specific industries (sectors) from which stocks are chosen is called sector weighting.

Strategic asset allocation (A) refers to long-term allocation among asset classes (stocks, bonds, cash).

Market timing (C) is an attempt to profit from predicting market movements.

Passive management (D) involves tracking an index with little or no active stock/sector selection

NEW QUESTION: 98

An unlicensed person was hired at a securities administrator, and they accepted their first case, which may result in suspending a registrant's license. The new hire immediately requests a subpoena of witnesses (and evidence) and requests guidance from the FATF. What error did the new hire likely commit?

A. Requesting legally binding documentation

B. Proceeding on a case without proper registration

C. Engaging an unrelated inter-governmental department

D. Investigating a licensing violation case

Answer: B (LEAVE A REPLY)

In Canada, anyone involved in securities enforcement or adjudication must be properly licensed or registered.
The unlicensed new hire erred by taking on a case (licensing violation) without being formally registered, violating regulatory requirements.
Requesting subpoenas (A) and FATF involvement (C) may show poor judgment, but the fundamental error is acting without registration.

NEW QUESTION: 99
Hamid, the portfolio manager of the Trabant Canadian Equity Fund is deciding on some new investments. He has identified a retirement residence company as well as a discount clothing retailer that both seem to have good prospects and appear undervalued. What investment approach is Hamid using?
A. top-down
B. bottom-up
C. growth at a reasonable price
D. technical investing
Answer: (SHOW ANSWER)
Hamid is using a bottom-up investment approach, which focuses on the analysis of individual stocks rather than the overall market or industry trends. Hamid is looking for companies that have strong fundamentals and are undervalued by the market, regardless of their sector or macroeconomic factors. References: Investment Strategies to Learn Before Trading

NEW QUESTION: 100
What type of mutual fund seeks to provide a positive real rate of return, through both income and capital appreciation, by investing in a diversified portfolio of fixed income securities, as well as Canadian and foreign equity securities?
A. Blue chip
B. Balanced
C. Mortgage
D. Dividend
Answer: B (LEAVE A REPLY)

NEW QUESTION: 101
Rebecca, an investor in a 40% marginal tax bracket, receives $1,200 in Canadian dividends eligible for the dividend tax credit. What is the dividend tax credit that applies to this income?
A. $248.73
B. $662.40
C. $1,200
D. $480
Answer: A (LEAVE A REPLY)

The dividend tax credit for Canadian dividends is calculated based on the grossed-up dividend amount. For eligible dividends, the gross-up is 38%. The taxable amount for $1,200 in dividends is $1,200 × 1.38 =
$1,656. The dividend tax credit is 15.02% of the grossed-up amount: $1,656 × 15.02% = $248.73. The feedback from the document confirms:
"The taxable amount of the dividend is the income received plus a 38% gross-up amount. In this example,
$1,200 + ($1,200 × 38%) = $1,656. The dividend tax credit is 15.02% of the grossed-up amount, in this example, $1,656 × 15.02% = $248.73." Reference: Chapter 6 - Tax and Retirement PlanningLearning Domain: The Know Your Client Communication Process

NEW QUESTION: 102

Taylor is chatting with other parents in the park when the conversation turns to registered education savings plans (RESPs). Taylor thinks that most of what they are saying is incorrect. Which of the following statements about self-directed RESPs is TRUE?

A. The government contributes an additional grant for low income families who qualify.
B. Only one beneficiary may be named per RESP.
C. Educational Assistance Payments (EAPs) may only be used for tuition for a post-secondary program.
D. Educational Assistance Payments (EAPs) withdrawn from the plan are not taxable.

Answer: A (LEAVE A REPLY)

A self-directed RESP is a type of RESP where the subscriber (the person who opens the plan) has the freedom to choose and manage the investments within the plan, such as stocks, bonds, mutual funds, etc. A self- directed RESP can have one or more beneficiaries (the children who will use the funds for their education) and can be individual or family plans. A self-directed RESP is eligible for the Canada Education Savings Grant (CESG), which is a 20% matching grant on the first $2,500 of annual contributions per beneficiary, up to a lifetime limit of $7,200. Additionally, low income families who qualify may receive an extra 10% or 20% on the first $500 of annual contributions per beneficiary, depending on their net family income. This is called the Additional CESG. Educational Assistance Payments (EAPs) are the payments made from the RESP to the beneficiary when they enroll in a qualifying post-secondary program. EAPs consist of the CESG, the Additional CESG, and any income or growth earned within the plan. EAPs may be used for any education- related expenses, such as tuition, books, transportation, accommodation, etc. EAPs are taxable in the hands of the beneficiary, who usually has a lower tax rate than the subscriber.
Canadian Investment Funds Course, Chapter 5: Registered Plans1

NEW QUESTION: 103

Sagira is a Compliance Officer with WealthPath Investments Inc., a registered mutual fund dealer. Sagira routinely answers inquiries from the firm's Dealing Representatives and offers guidance.

Which of the following statements would Sagira likely agree is a permitted activity for Dealing Representatives to have with clients?
A. Positions of influence are permitted if the terms and conditions of the regulator are met and the activity is approved by the dealer.
B. Borrowing from clients is prohibited, but personal loans to clients may be offered.
C. Purchasing real property from clients is permitted if there is a written agreement in place and the firm is party to the agreement.
D. Authority granted to a Dealing Representative over a client's account or finances must be documented under a Power of Attorney.
Answer: A ([LEAVE A REPLY](#))
A position of influence is an outside activity that places the Dealing Representative in a position of power or influence over a client or potential client, such as a trustee, executor, or director of a charitable organization.
A position of influence may create a conflict of interest or a potential conflict of interest between the Dealing Representative and the client. Therefore, the MFDA rules require that a Dealing Representative must report any position of influence to the dealer and obtain the dealer's approval before engaging in such activity. The dealer must also ensure that the position of influence does not impair the Dealing Representative's ability to act in the best interests of the client and that the client is aware of the nature and extent of the position of influence12
References = Canadian Investment Funds Course (CIFC) - Module 1: The Financial Services Industry - Section 1.3: Know Your Client (KYC)3 and web search results from search_web(query="positions of influence and mutual fund dealers association rules")12
3: https://www.ifse.ca/wp-content/uploads/2021/08/CIFC-Module-1.pdf

NEW QUESTION: 104
Bernadette has a high-paying job and is in the top tax bracket. She recently received a payment of $5 million upon the settlement of her uncle's estate. Bernadette would like to invest her inheritance in financial products that would not only grow her money but is also income tax friendly.
Which of the following would provide the most favourable tax treatment?
A. Dividends received from a large foreign corporation.
B. Coupon payments from Government of Canada bonds.
C. Capital gains from a large Canadian corporation.
D. Eligible dividends from a publicly-listed Canadian corporation
Answer: ([SHOW ANSWER](#))
Eligible dividends from a publicly-listed Canadian corporation would provide the most favourable tax treatment for Bernadette, who is in the top tax bracket. Eligible dividends are subject to a lower tax rate than other types of income because they qualify for the enhanced dividend tax credit. This credit is intended to reduce the double taxation of corporate income, which occurs when a corporation pays tax on its earnings and then distributes those earnings to its

shareholders, who also pay tax on them. Dividends received from a large foreign corporation do not qualify for the dividend tax credit and are taxed at the same rate as interest income. Coupon payments from Government of Canada bonds are also fully taxable as interest income. Capital gains from a large Canadian corporation are taxed at a lower rate than interest income, but higher than eligible dividends, because only 50% of the gain is included in taxable income. References: Capital gains, interest and dividends: How they're taxed in Canada, How Are Dividends Taxed in Canada?

NEW QUESTION: 105

Your clients, Jessica and Ken, want to buy a house next year. You recommend a money market fund. How do you think a money market fund will help Jessica and Ken reach their goal?

A. Money market funds are safe investments because their net asset value per unit does not usually fluctuate.

B. Money market funds provide high returns without risking the capital invested.

C. Money market funds pay income weekly which can be automatically reinvested.

D. Money market funds provide investors a guaranteed fixed rate of return.

Answer: A (LEAVE A REPLY)

Money market funds are safe investments because their net asset value per unit does not usually fluctuate. Money market funds invest in highly liquid instruments like high-interest savings accounts, term deposits, short-term debt securities, cash equivalents, and other low-risk, short-term investments3. These funds aim to preserve capital and provide liquidity while generating some income3. Money market funds typically have a stable net asset value per unit (NAVPU) that does notchange much over time3. The other statements are false. Money market funds do not provide high returns without risking the capital invested. Money market funds offer low returns that may not keep up with inflation or meet long-term investment goals3. Money market funds also have some risks, such as credit risk, interest rate risk, and liquidity risk3. Money market funds do not pay income weekly which can be automatically reinvested. Money market funds may pay income monthly, quarterly, semi-annually, or annually, depending on the fund's distribution policy3. Investors can choose to receive cash distributions or reinvest them in more units of the fund3. Money market funds do not provide investors a guaranteed fixed rate of return. Money market funds do not guarantee any return or principal amount3. The return of money market funds depends on the interest rates and yields of the underlying investments, which may vary over time3. References: 7 Best Money Market ETFs in Canada 2023: Cash And HISA ETFs, Best Money Market Funds in Canada | WOWA.ca, 3 Best Canadian Money Market Funds (2023) - PiggyBank

NEW QUESTION: 106

Which statement regarding Canada's income tax system is CORRECT?

A. Federal and provincial income tax brackets are both progressive and each respective jurisdiction determines the tax rates that will be used.

B. Once a person's taxable income reaches the next income tax bracket level, all income is subject to be taxed at the higher tax rate.
C. Tax credits will reduce an individual's taxable income and may lower that person's top marginal tax rate.
D. After federal and provincial tax rates have been applied to a person's taxable income, tax deductions are then applied to reduce taxes.
Answer: A (LEAVE A REPLY)
Canada's income tax system is based on a progressive tax structure, which means that individuals pay higher tax rates as their income increases. There are different tax brackets for different income levels, and each bracket has a corresponding tax rate. The federal government and each provincial or territorial government set their own tax rates and brackets, which may vary depending on the jurisdiction. Therefore, individuals pay both federal and provincial or territorial income tax, based on their taxable income and the tax rates applicable to their income brackets in their respective jurisdictions12 References = Canadian Investment Funds Course, Unit 5: Types of Investments, Lesson 6: Taxation, Section
5.6.1: Income Tax 1; CIFC prepkit, Chapter 5: Types of Investments, Question 5.6.1 2

NEW QUESTION: 107
What type of risk is the fundamental risk factor for fixed-income securities?
A. Liquidity risk
B. Reinvestment risk
C. Market risk
D. Interest rate risk
Answer: (SHOW ANSWER)
Interest rate risk is the primary risk for fixed-income securities, as their value decreases when interest rates rise due to fixed cash flows. The feedback from the document states:
"Interest rate risk is the fundamental risk factor for fixed-income securities such as bonds, mortgages and preferred shares. As interest rates move up, the value of a fixed-income security falls. This is because the cash flow from the fixed-income security is fixed." Reference: Chapter 11 - Conservative Mutual Fund ProductsLearning Domain: Analysis of Mutual Funds

NEW QUESTION: 108

An investor who wants to deplete their funds within the next five years is considering various withdrawal plans. Assuming the investor is less concerned about predictable annual cash flows, what withdrawal plan type is most appropriate for the investor?

A. Fixed-dollar.

B. Ratio.

C. Fixed-period.

D. Life.

Answer: C (LEAVE A REPLY)

NEW QUESTION: 109

A client had set up a voluntary accumulation plan to invest a set amount annually in December in an equity mutual fund. They decided to move to a pre-authorized plan where they will invest a smaller amount in this fund every week. What is likely the most significant benefit of this change?

A. Enhancing the compounding effects.

B. Gaining from disciplined savings habits.

C. Lower fund management fees.

D. Increases the possibilities to time the market.

Answer: B (LEAVE A REPLY)

NEW QUESTION: 110

Your client, a high-income earner in a high marginal tax bracket, is seeking to minimize the amount of tax he pays on investment income while continuing to invest in mutual funds. Which mutual fund would best meet his investment objective?

A. Fixed-income fund

B. Canadian equity fund

C. Money market fund

D. Foreign equity fund

Answer: B (LEAVE A REPLY)

Canadian equity funds are tax-efficient for high-income earners as they generate dividends and capital gains, which are taxed at lower rates than interest income. The feedback from the document states:

"Of the funds listed, the most tax-effective would be a Canadian equity fund because it should generate some dividends and some capital gains. Money market funds and fixed income funds would each generate highly taxed interest income, while a foreign equity fund would not generate tax-advantaged Canadian dividend income or capital gains. Before recommending an equity fund, the mutual fund representative should ensure that the fund is suitable for his client because equity funds have a higher risk profile than funds that generate interest income."

Reference: Chapter 6 - Tax and Retirement PlanningLearning Domain: The Know Your Client Communication Process

NEW QUESTION: 111
For what reason do different entities have securities created and sold?
A. Government debt is reduced due to the capital that is received from investors when their securities are purchased.
B. When common shares are initially sold, the capital raised will increase the issuing corporation's retained earnings.
C. Governments can address financial needs and support initiatives when securities are first sold.
D. The issuance of securities is a method used by corporations to redistribute their wealth to investors to lower taxes.
Answer: C (LEAVE A REPLY)
One of the main reasons why different entities have securities created and sold is to raise funds for various purposes. Governments, for example, can issue securities such as bonds or treasury bills to finance public spending, such as infrastructure, education, health care, or social programs. By selling securities to investors, governments can borrow money at a lower cost than other sources of funding, and can also stimulate the economy and create jobs12
References = Canadian Investment Funds Course (CIFC) - Module 2: Investment Products - Section 2.1:
Money Market Instruments3 and web search results from search_web(query="reasons for issuing securities")
12
3: https://www.ifse.ca/wp-content/uploads/2021/08/CIFC-Module-2.pdf

NEW QUESTION: 112
Using historical market data, which investment strategy's purchasing power is least susceptible to inflation risk?
A. Mixed-maturity Government of Canada bond portfolio
B. Balanced allocation of equities and corporate bonds
C. Laddered GIC strategy with maximum maturities of five years
D. A diversified portfolio of equities
Answer: D (LEAVE A REPLY)

NEW QUESTION: 113
Daisy is a Dealing Representative registered in the province of Saskatchewan only. Daisy's client, Orville, a resident of Lloydminster, Saskatchewan is a retiree who presently has a $1,000,000 with her dealer, Easy Ride Financial. Orville is now planning to move to Vegreville, Alberta next month. Easy Ride Financial is registered in Alberta and Saskatchewan. Neither Easy Ride Financial nor Daisy have any clients who are resident in Alberta.
Which of the following should Daisy do if she wants to continue to service Orville's account?
A. Request approval from the Mutual Fund Dealers Association of Canada to be eligible to be a registered Dealing Representative in Alberta

B. Daisy could seek permission from her dealer to request a client mobility exemption with the Alberta Securities Commission.
C. Daisy will need to forfeit her registration in Saskatchewan if she wants to be registered in Alberta to keep Orville as a client.
D. Register with a different mutual fund dealer that is registered in Alberta so she can keep Orville as a client.
Answer: B (LEAVE A REPLY)
Daisy could seek permission from her dealer to request a client mobility exemption with the Alberta Securities Commission. This exemption allows a registered individual in one jurisdiction to service a client who moves to another jurisdiction, without having to register in the new jurisdiction, subject to certain conditions. Some of these conditions are that the individual must be registered with a dealer that is registered in both jurisdictions, the individual must not have more than five clients in the new jurisdiction, and the individual must notify the regulator in the new jurisdiction of the exemption. References: Client Mobility Exemption

NEW QUESTION: 114
Jonathan is a Dealing Representative who has just finished an appointment with his new client, Shirley.
Jonathan has concluded that Shirley has a low-risk profile but wants to establish additional savings of
$500,000. During their discussion, Shirley emphasizes she wants investments that are also tax efficient.
Jonathan learned that currently Shirley has no registered retirement savings plan (RRSP) and tax-free savings account (TFSA) contribution room due to using those opportunities by investmenting elsewhere.
What variable is a PRIMARY consideration for Jonathan when making an investment recommendation?
A. Investment objective
B. Shirley's risk profile.
C. Expected time horizon.
D. The tax consequences.
Answer: B (LEAVE A REPLY)
Shirley's risk profile is the primary consideration for Jonathan when making an investment recommendation.
Risk profile is a measure of how much risk an investor is willing and able to take on in their portfolio. It is determined by factors such as age, income, net worth, investment objectives, time horizon, and personal preferences. It is essential for a dealing representative to assess the risk profile of their client before recommending any investment products or strategies, as they have a fiduciary duty to act in the best interest of their client and ensure that their recommendations are suitable for their client's needs and goals. The other variables are also important, but they are secondary to the risk profile. References: [Risk Profile], [Know Your Client (KYC)]

NEW QUESTION: 115

Karen works Monday to Wednesday for a member of the MFDA as a dealing representative and Thursday and Friday as a language instructor at a local college. Client orders received on Thursdays and Fridays are held until Karen returns to work the following week. What condition of dual employment is violated under these circumstances?

A. The dealer must maintain procedures to address any potential conflicts of interest

B. Karen's alternate employment must not bring the MFDA, its members, or the mutual fund industry into disrepute

C. The dealer must maintain procedures to ensure continuous service to clients

D. The dealer must be aware of and approve of Karen's other occupation

Answer: (SHOW ANSWER)

Holding client orders until the following week violates the requirement for continuous service to clients under dual employment conditions. The feedback from the document states:

"A mutual fund dealing representative who works for or is sponsored by a member of the MFDA may have, and continue in, another gainful occupation, provided that the dealer establishes and maintains procedures to ensure continuous service to clients. In this example, Karen's clients are not receiving continuous service." Reference: Chapter 17 - Mutual Fund Dealer RegulationLearning Domain: Ethics, Compliance and Mutual Fund Regulations

NEW QUESTION: 116

Julia invested in ERF energy mutual fund three years ago. At that time, the price of the fund was $25.44 per unit. Over time, the unit price has dropped to $19.72, however Julia does not want to consider selling her investment until it returns to $25.44. What bias is she demonstrating?

A. Availability

B. Anchoring

C. Representativeness

D. Hindsight

Answer: (SHOW ANSWER)

Anchoring bias occurs when an investor fixates on a reference point (e.g., purchase price) and refuses to sell until the investment returns to that level, even if conditions have changed .

Julia anchors on $25.44, her purchase price, and won't sell at $19.72.

Availability bias = reliance on recent/easy info.

Representativeness = stereotyping based on limited traits.

Hindsight bias = belief that past events were predictable.

Thus, Julia demonstrates Anchoring bias.

NEW QUESTION: 117

Which drawback of the comparison universe method makes average fund managers look more like underperformers as the comparison period lengthens?

A. Survivorship bias

B. Definition of universes
C. Matching of risk profiles
D. Universe size
Answer: A (LEAVE A REPLY)
Survivorship bias occurs when underperforming funds are terminated and excluded from performance rankings, making surviving funds appear to perform better over time. The feedback from the document states:
"All comparison universes exhibit some degree of survivorship bias no matter how carefully the universes are constructed. Survivorship bias develops as defunct portfolios drop out and are excluded from rankings in subsequent quarters. Funds that are terminated or cease to exist are usually those who have been unsuccessful, creating an upward bias in the returns of longer-run funds in the surviving universe." Reference: Chapter 14 - Understanding Mutual Fund PerformanceLearning Domain: Evaluating and Selecting Mutual Funds

NEW QUESTION: 118
Greg, one of your clients, has been advised by a friend to invest in open-end mutual funds. He is not sure about the differences between open and closed-end funds.
What would you tell Greg about open-end funds?
A. The number of units is not fixed, and varies with investor demand and redemption orders.
B. Investors holding open-end funds can buy and sell their mutual funds anytime the stock market is open.
C. Units are bought and sold amongst the unitholders.
D. Initial shares in the mutual fund are allotted through an initial public offering (IPO)
Answer: (SHOW ANSWER)
According to the Closed-End Funds vs. Open-End Funds: What's the Difference? - Investopedia, open-end funds are mutual funds that can issue an unlimited number of shares to investors. The number of units is not fixed, and varies with investor demand and redemption orders. Investors buy and sell open-end funds directly from the fund company at the net asset value (NAV) of the fund, which is calculated at the end of each trading day. Open-end funds are not traded on an exchange or in the secondary market.

NEW QUESTION: 119
What is the best risk assessment of a portfolio composed only of dividend-paying Canadian chartered bank stocks?
A. There is some risk since these bank stocks would have a positive correlation.
B. There is a high risk since these banks have volatile and unstable profits.
C. There is no risk since these bank stocks are regarded as blue-chip companies.
D. There is no risk since these bank stocks are dividend-paying stocks.
Answer: (SHOW ANSWER)
Although Canadian chartered banks are considered high-quality, dividend-paying "blue-chip" stocks, a portfolio composed only of bank stocks still carries risk due to lack of diversification.

The Investment Funds in Canada curriculum explains that diversification reduces risk only when assets have low or negative correlation. Bank stocks tend to move together because they are influenced by similar economic factors such as interest rates, credit conditions, and regulatory changes.
This means the portfolio would have positive correlation, increasing exposure to sector-specific risk. While dividends may reduce volatility, they do not eliminate market or sector risk. The CIFC text stresses that
"concentration in one sector exposes investors to systematic sector risk," even when the companies are financially strong.
Options C and D are incorrect because no equity investment is risk-free, regardless of dividend history or reputation. Option B exaggerates risk by implying instability, which is inconsistent with Canadian banks' historical performance.
Therefore, the correct and CIFC-verified answer is Option A.

NEW QUESTION: 120
The following table shows Sabrina's earned income for the past few years:
Sabrina has always maximized her RRSP contributions, so she has no carry-forward room available. If the maximum contribution limit for Year 3 is $24,270, what is her RRSP contribution room for Year 3?
A. $22,500
B. $24,270
C. $25,200
D. $26,100
Answer: B (LEAVE A REPLY)
Sabrina's RRSP contribution room for Year 3 is $24,270. This is because the maximum contribution limit for Year 3 is $24,270 and Sabrina has always maximized her RRSP contributions, so she has no carry-forward room available.
Canadian Investment Funds Course, Chapter 5: Registered Plans

NEW QUESTION: 121
Saheed is a retiree who is considering splitting his pension income with his wife, Minu.
Which of the following outcomes may occur if he shares his pension benefits?
A. Whether the couple saves on income tax will be dependent on Minu's marginal tax rate.
B. Minu will be exposed to a pension adjustment (PA) if she receives income from his pension.
C. This is a form of tax evasion and is therefore considered illegal based on income tax legislation.
D. Regardless of how much income each person reports, the total amount of income taxes will not change.
Answer: A (LEAVE A REPLY)
Whether the couple saves on income tax will be dependent on Minu's marginal tax rate. Pension income splitting is a tax planning strategy that allows a spouse or common-law partner who

receives eligible pension income to allocate up to 50% of that income to their spouse or common-law partner1. This may result in tax savings if the transferring spouse or common-law partner is in a higher tax bracket than the receiving spouse or common-law partner1. The tax savings depend on the difference between the marginal tax rates of the spouses or common-law partners1. The other statements are incorrect. Minu will not be exposed to a pension adjustment (PA) if she receives income from Saheed's pension. A PA is a measure of the value of benefits accrued in a registered pension plan or deferred profit sharing plan during a calendar year2. It reduces the RRSP contribution room of the plan member, not the spouse or common-law partner who receives part of their pension income2. Pension income splitting is not a form of tax evasion and is not illegal based on income tax legislation. It is a legitimate way to reduce taxable income and taxes payable by shifting income from a higher-income spouse or common-law partner to a lower-income spouse or common-law partner1.
Pension income splitting may change the total amount of income taxes paid by the couple, depending on their marginal tax rates. If the transferring spouse or common-law partner is in a higher tax bracket than the receiving spouse or common-law partner, pension income splitting may lower their combined taxes payable1. However, if they are in the same tax bracket, pension income splitting may not have any effect on their taxes payable1. References: Pension income splitting, Pension adjustment

NEW QUESTION: 122
Lucas is 60 years old and continues to work. He presently is a plan holder of a registered retirement savings plan (RRSP). He is considering changing his RRSP to a registered retirement income fund (RRIF).
Which of the following statements is CORRECT?
A. There is no minimum age to be an annuitant to a RRIF.
B. Once he changes his RRSP to a RRIF, his unused total RRSP contribution room is lost.
C. Minimal withdrawals are required to start in the current calendar year his RRIF was established.
D. Investments that qualify as an eligible investment for a RRIF are different than for an RRSP.
Answer: B (LEAVE A REPLY)
A registered retirement income fund (RRIF) is a type of registered plan that provides a stream of income in retirement. A RRIF can be created by converting an RRSP, but once the conversion is done, the plan holder can no longer make contributions to the RRSP or the RRIF. Therefore,

any unused RRSP contribution room is lost after the conversion. The other statements are incorrect because:
A). There is a minimum age to be an annuitant to a RRIF, which is 71 years old. However, a plan holder can convert an RRSP to a RRIF at any age before 71.
C). Minimum withdrawals are required to start in the year following the year the RRIF was established, not in the current calendar year.
D). Investments that qualify as an eligible investment for a RRIF are the same as for an RRSP, such as mutual funds, stocks, bonds, GICs, etc. References:
Canadian Investment Funds Course (CIFC) Study Guide, Chapter 6: Registered Plans, Section 6.2: Registered Retirement Income Fund (RRIF), page 6-81 Registered Retirement Income Fund (RRIF) - Canada.ca2

NEW QUESTION: 123
An investor seeks an equity investment that will mirror the performance of the energy sector in Canada. She desires a low-cost, flexible alternative that can quickly be bought or sold. Which product is most suited to her needs?
A. Energy-sector index mutual fund
B. Exchange-traded fund of energy sector stocks
C. Direct investment in energy sector stocks
D. Energy sector segregated fund
Answer: (SHOW ANSWER)
Exchange-traded funds (ETFs) are traded on exchanges, offering flexibility and lower costs compared to index mutual funds, making them ideal for tracking the energy sector. The feedback from the document states:
"Like stocks, and unlike index mutual funds, ETFs are traded on an exchange and can be bought and sold throughout the trading day. In this way, ETFs provide investors with a flexible way to participate in the performance of the underlying assets without having to acquire the assets directly, incurring high transaction costs. MERs on ETFs also tend to be lower than on other index and actively managed products." Reference: Chapter 13 - Alternative Managed ProductsLearning Domain: Understanding Alternative Managed Products

NEW QUESTION: 124
What is the securities administrator's power that is intended to ensure investors can make fully informed investment decisions?
A. Disclosure
B. Enforcement
C. Registration
D. Termination
Answer: A (LEAVE A REPLY)

The securities administrator's power of disclosure ensures that investors receive complete, accurate, and timely information to make informed decisions. The feedback from the document states:
"The securities administrators ensure that all documents and other required information are prepared in accordance with requirements and provided to appropriate parties in a timely manner. The securities administrators also review all prospectuses for full, true and plain disclosure. Complete, accurate and timely disclosure allows clients to make fully informed investment decisions." Reference: Chapter 17 - Mutual Fund Dealer RegulationLearning Domain: Ethics, Compliance and Mutual Fund Regulations

NEW QUESTION: 125
Dakota is a Dealing Representative with Harvest Wealth Inc., a mutual fund dealer. Dakota starts a marketing campaign to contact prospective new clients and increase sales with existing clients. Which of the following CORRECTLY describes activities that Dakota can engage in under her marketing campaign?
A. Dakota can make telemarketing calls to clients who are listed on the National Do Not Call List
B. Dakota can send promotional emails to clients who have opted into Harvest Wealth's Do Not Call List
C. Dakota can send promotional emails to clients who have opted in to receive commercial electronic messages (CEMs).
D. Dakota can make telemarketing calls to clients who have opted in to receive commercial electronic messages (CEMs).
Answer: C (LEAVE A REPLY)
Dakota can send promotional emails to clients who have opted in to receive commercial electronic messages (CEMs). A CEM is any electronic message that encourages participation in a commercial activity, such as an email, a text message, or a social media message. Under Canada's anti-spam legislation (CASL), Dakota must obtain consent from the recipients before sending CEMs, either explicitly (e.g., by asking them to sign up for a newsletter) or implicitly (e.g., by having an existing business relationship with them). Dakota must also identify himself and his dealer, provide contact information, and include an unsubscribe mechanism in every CEM. The other statements are incorrect. Dakota cannot make telemarketing calls to clients who are listed on the National Do Not Call List (DNCL). The DNCL is a list of telephone numbers of consumers who do not want to receive unsolicited telemarketing calls. Under the Telecommunications Act, Dakota must register with the National DNCL operator, subscribe to the National DNCL, and avoid calling any number on the list, unless he has express consent from the consumer or an exemption applies. Dakota cannot send promotional emails to clients who have opted into Harvest Wealth's Do Not Call List. A Do Not Call List is a list of telephone numbers of consumers who do not want to receive telemarketing calls from a specific organization.
Under the Telecommunications Act, Dakota must maintain an internal Do Not Call List for his dealer and respect the requests of consumers who ask not to be called by his dealer. However,

this does not mean that he can send promotional emails to those consumers, as that would violate CASL. Dakota cannot make telemarketing calls to clients who have opted in to receive commercial electronic messages (CEMs). Opting in to receive CEMs does not imply consent to receive telemarketing calls, as they are different forms of communication governed by different laws . Dakota must obtain separate consent from the clients before making telemarketing calls to them, either explicitly or implicitly. References: [Canada's anti-spam legislation], [National Do Not Call List]

NEW QUESTION: 126

Over the course of a couple of weeks and several appointments, Harold was finally able to provide an investment solution for his new client, Felicia. It was a lump sum investment where they plan to see her money grow for the next 5 years.

With regards to Know Your Client (KYC) requirements, what are Harold's responsibilities moving forward?

A. Monitor investment performance to determine if the investment solution is on track to satisfy Felicia's financial needs.

B. There are no other responsibilities for Harold to fulfill until the time horizon has been reached for this investment solution.

C. Within 36 months of the implementation of the investment, Harold must review the KYC to ensure it is current.

D. KYC does not need to be revisited or revised until there is a need to conduct additional trades for Felicia's account.

Answer: A ([LEAVE A REPLY]())

Know Your Client (KYC) requirements are ongoing obligations that advisors must fulfill to ensure that they provide suitable recommendations and services to their clients. KYC requirements include collecting and documenting information about the client's personal and financial situation, investment objectives, risk tolerance, and investment knowledge. KYC requirements also include monitoring and updating the client's information and investment performance on a regular basis. According to the Mutual Fund Dealers Association of Canada (MFDA), advisors must review the KYC information at least once every 36 months, or more frequently if there are any material changes in the client's circumstances or needs1. Advisors must also monitor the investment performance of the client's portfolio and compare it with the client's expectations and goals. If the investment performance is not satisfactory or consistent with the client's risk tolerance, advisors must take appropriate actions, such as rebalancing the portfolio, switching funds, or revising the investment strategy2. Therefore, Harold's responsibility moving forward is to monitor the investment performance of Felicia's lump sum investment and determine if it is on track to satisfy her financial needs for the next 5 years. He must also review her KYC information at least once every 36 months, or sooner if there are any changes in her situation or objectives. References:

* MFDA Bulletin #0756-P - Know-Your-Client and Suitability1
* MFDA Bulletin #0760-P - Monitoring of Investment Performance2

NEW QUESTION: 127

What role do investment dealers play in the Canadian and global financial markets?

A. They are contributors to a company's profits.

B. They are contributors to an investor's earnings.

C. They assist with the exchange of capital for a financial instrument.

D. By underwriting financial instruments, they raise capital for investors.

Answer: C (LEAVE A REPLY)

Investment dealers are people or firms who buy and sell securities for their own account, whether through a broker or otherwise. They play an important role in the Canadian and global financial markets because they are market makers, create liquidity, and help promote long-term growth in the market. They also provide investment services to investors, such as underwriting securities, raising capital, and offering advice. By assisting with the exchange of capital for a financial instrument, they facilitate the flow of funds between savers and borrowers, and between different sectors and countries. The other options are not accurate descriptions of the role of investment dealers. References: Dealers: Definition in Trading, Meaning and Comparison to Brokers, Investment Dealers Definition

NEW QUESTION: 128

A mutual fund sales representative receives a client's purchase order for equity mutual funds and confirms that the order is appropriate based on the client's recorded investment knowledge and risk tolerance. The client explains that she had inherited the funds from a family member. The client states her investment objective to be long term. The representative records this information and processes the order. What the representative doesn't know is that the client has recently lost her job and is living on unemployment insurance. What step did the representative need to take in order to uphold her duty of care?

A. The representative should have applied the test of suitability to the unsolicited order

B. The representative should have verified that the client's KYC information was updated before applying the suitability test

C. The representative should have probed the client's understanding of equity funds

D. The representative should have applied due diligence in matching the order to the client's KYC information

Answer: B (LEAVE A REPLY)

The representative failed to verify that the client's KYC information was current, which is critical for assessing suitability, especially given the client's recent job loss. The feedback from the document states:

"Standard A - Duty of Care starts with the Know Your Client rule. It is impossible to apply due diligence and assess the suitability of an investment if the client's information has not been updated. Client account documentation should reflect all material information about the client's current status, and should be updated to reflect any material change to the client's status in order to assure suitability of investment recommendations." Reference: Chapter 18 - Applying

Ethical Standards to What You Have LearnedLearning Domain: Ethics, Compliance and Mutual Fund Regulations

NEW QUESTION: 129

Which stock would be considered the most defensive?

A. ABC Bank with a beta of 0.5

B. Unity Corp with a beta of 2.0

C. KYX Manufacturing with a beta of 1.0

D. ISS Technology with a beta of 1.5

Answer: (SHOW ANSWER)

Beta measures systematic (market) risk:

Beta = 1.0 # moves with market.

Beta < 1.0 # less volatile, more defensive.

Beta > 1.0 # more volatile, aggressive.

Defensive stocks (e.g., banks, utilities) typically have low betas.

Given options:

0.5 (A) = least risky, most defensive.

2.0 (B) = highly aggressive.

1.0 (C) = average risk.

1.5 (D) = above-average risk.

NEW QUESTION: 130

Your client has very limited investment knowledge and is confused about what is meant by "marginal tax rate". What do you tell him?

A. It is the tax rate applied to the next dollar earned.

B. It is the tax rate used in calculating taxable capital gains.

C. It is an amount resulting from dividing your total tax liability by your taxable income for the year.

D. It is the number used to gross-up Canadian dividend income.

Answer: A (LEAVE A REPLY)

The marginal tax rate is the percentage of tax that an individual pays on the last dollar of income earned in a given year. It is also the tax rate that applies to any additional income earned in that year. The marginal tax rate varies depending on the individual's income level and tax bracket. For example, if an individual's taxable income for the year is $50,000 and the tax rate for that income bracket is 20%, then the marginal tax rate is
20%. This means that the individual pays 20% tax on the last dollar of income earned, as well as on any additional income earned above $50,000.

References = Canadian Investment Funds Course, Unit 5: Types of Investments, Lesson 6: Taxation, Section
5.6.1: Income Tax 1; CIFC prepkit, Chapter 5: Types of Investments, Question 5.6.1 2

NEW QUESTION: 131

A self-directed investor bases stock purchase decisions on internet recommendations and stock tips, believing this provides the most accurate information. What is the investor's behavioural bias?

A. Endowment

B. Availability

C. Representativeness

D. Overconfidence

Answer: B (LEAVE A REPLY)

The availability bias occurs when investors rely on easily available or recent information rather than a thorough analysis. In this case, the investor bases decisions on internet recommendations and stock tips, believing they are accurate, instead of analyzing fundamentals. This clearly matches availability bias.

Endowment bias applies when investors overvalue what they already own.

Representativeness bias applies when investors judge outcomes by stereotypes or past patterns.

Overconfidence refers to excessive faith in one's own knowledge.

Thus, the behavioural bias here is Availability .

NEW QUESTION: 132

At the close of business, Great Lengths Equity Fund had total assets of $135 million and total liabilities of $10 million. They had 11 million units outstanding. In addition, their current assets totalled $13 million and current liabilities were $3 million. Which of the following statements regarding Great Lengths Equity Fund's net asset value per unit (NAVPU) is correct?

A. The NAVPU is the total liabilities divided by the number of outstanding units.

B. Current assets and current liabilities are used in the NAVPU calculation.

C. There is not enough information available to calculate the NAVPU.

D. Great Lengths Equity Fund's NAVPU is $11.36.

Answer: (SHOW ANSWER)

The net asset value per unit (NAVPU) of a mutual fund is calculated by dividing the net asset value (NAV) of the fund by the number of outstanding units. The NAV is the difference between the total assets and total liabilities of the fund. Current assets and current liabilities are not relevant for the NAVPU calculation.

Therefore, Great Lengths Equity Fund's NAVPU is ($135 million - $10 million) / 11 million = $11.36.

NEW QUESTION: 133

What statement shows a company's position at a specific date?

A. Statement of financial position

B. Cash flow statement

C. Statement of comprehensive income

D. Bank statement

Answer: A (LEAVE A REPLY)

The correct answer is A. Statement of financial position, which is also commonly referred to as the balance sheet. The Investment Funds in Canada curriculum explains that this statement provides a snapshot of a company's assets, liabilities, and shareholders' equity at a specific point in time.

Unlike the income statement or statement of comprehensive income, which measure performance over a period, the statement of financial position reflects what the company owns and owes on a particular date. The cash flow statement tracks the movement of cash over time, not a single moment. A bank statement is not a formal financial statement used in corporate analysis.

The CIFC text emphasizes that understanding the statement of financial position is essential for assessing financial strength, solvency, and capital structure. Therefore, Option A is the correct and fully CIFC-aligned answer.

NEW QUESTION: 134

What stage in the business cycle typically has increasing wages, rising inflation, rising interest rates with slowing sales, and decreasing business investment?

A. Peak

B. Expansion

C. Trough

D. Recovery

Answer: (SHOW ANSWER)

The peak stage of the business cycle is marked by demand exceeding supply, leading to rising wages, inflation, and interest rates, while sales slow and business investment decreases. The feedback from the document states:

"The top of the cycle is called a peak. A peak is characterized by the following activities: demand begins to outstrip the capacity of the economy to supply it; wages increase; inflation rises; interest rates rise and bond prices fall; sales begin to decline; business investment slows, and stock market activity begins to decline." Reference: Chapter 3 - Economic PrinciplesLearning Domain: An Introduction to the Mutual Funds Marketplace

NEW QUESTION: 135

What is a key difference between marketable government bonds and treasury bills?

A. Treasury bills do not pay any coupon interest, while marketable bonds do

B. Marketable government bonds may be sold at a discount while Treasury bills are sold at a premium

C. Treasury bills trade in the over-the-counter market, while marketable bonds trade on the exchange

D. Marketable government bonds actively trade in the secondary market while Treasury bills can only be bought from and sold to the government

Answer: A (LEAVE A REPLY)
Treasury bills (T-bills) have short maturities and are sold at a discount, with the return being the difference between the purchase price and par value at maturity, without coupon interest. Marketable bonds, however, pay coupon interest. The feedback from the document states: "Because T-bills have such short maturities, they do not pay any coupon interest; instead, they are sold to investors at a discount from par value. When the T-bill matures, you receive par value. The difference between the price paid and the par value represents your return."
Reference: Chapter 7 - Types of Investment Products and How They Are TradedLearning Domain:
Understanding Investment Products and Portfolios

NEW QUESTION: 136
What is the step in the financial planning process that includes a discussion of a client's household budget?
A. Interview the client
B. Gather data and identify goals and objectives
C. Develop a written financial plan
D. Identify financial situation and constraints
Answer: D (LEAVE A REPLY)
Discussing a client's household budget is part of identifying their financial situation and constraints, a key step in the financial planning process. The feedback from the document states:
"The household budget is part of the discussions related to identifying financial problems and constraints." Reference: Chapter 4 - Getting to know the clientLearning Domain: The Know Your Client Communication Process

NEW QUESTION: 137
Maalik opens an account for a new client, John. During the new account process, Maalik determines that he will need to confirm John's identity. Which of the following statements about Maalik's identification requirements is CORRECT?
A. If Maalik determines that there is anything suspicious about John's transaction, he is required to report the matter to his dealer. The dealer must report the matter to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).

B. If Maalik learns that John is the president of a state-owned company, Maalik is required to report John as a Politically Exposed Foreign Person (PEFP) to his dealer. If John is not a US person, the dealer must report the account to the Internal Revenue Service (IRS).
C. If John wants to make a large cash deposit of $10,000 or more, Maalik is required to collect personal information about John and report it to his dealer. The dealer must report the information to the Canada Revenue Agency (CRA).
D. If John attempts to make a suspicious deposit, Maalik is required to report the attempt to his dealer. The dealer must keep records of attempted suspicious transactions that are not reported to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC).
Answer: (SHOW ANSWER)
The statement that is correct about Maalik's identification requirements is option A. According to Section 7 of the Proceeds of Crime (Money Laundering) and Terrorist Financing Act (PCMLTFA), registered firms and individuals must report any suspicious transactions or attempted transactions to FINTRAC, which is Canada's financial intelligence unit that collects, analyzes, and discloses information related to money laundering and terrorist financing activities. A suspicious transaction or attempted transaction is one that there are reasonable grounds to suspect that it is related to a money laundering or terrorist financing offence. Therefore, if Maalik determines that there is anything suspicious about John's transaction, he must report the matter to his dealer, who must report it to FINTRAC within 30 days of making the determination. The other statements are not correct about Maalik's identification requirements. Option B is false because Maalik does not need to report John as a PEFP to his dealer; rather, he must take reasonable measures to determine whether John is a PEFP or a family member or close associate of a PEFP, and if so, he must obtain senior management approval before opening an account for John, take enhanced measures to verify John's identity, and conduct enhanced ongoing monitoring of John's account activity. Option C is false because Maalik does not need to collect personal information about John and report it to his dealer if John wants to make a large cash deposit; rather, he must verify John's identity using an original, valid, and current document or information from a reliable source, keep a record of John's name and address and the date and amount of the deposit, and report any large cash transactions of $10,000 or more in Canadian currency or its equivalent to FINTRAC within 15 days of receiving the cash. Option D is false because Maalik does not need to report the attempt to his dealer if John attempts to make a suspicious deposit; rather, he must report the attempt directly to FINTRAC within 30 days of detecting the suspicion, regardless of whether the transaction was completed or not. References:
[FINTRAC - Home], [FINTRAC - Reporting], [FINTRAC - Guideline 2: Suspicious Transactions], [FINTRAC - Guideline 6A: Record Keeping and Client Identification for Financial Entities]

NEW QUESTION: 138
A sales representative is comparing the performance of a mutual fund with other funds of similar investment mandates. What is this method of relative performance evaluation called?
A. Risk-adjusted rate of return

B. T-bills plus benchmark performance
C. Peer group
D. Total rate of return
Answer: C (LEAVE A REPLY)

NEW QUESTION: 139
What is Widget Inc.'s gross profit?
Widget Inc. Earnings Statement
Sales: $200,000
Cost of Goods Sold: $80,000
Selling & General Expenses: $40,000
Depreciation: $5,000
Total Expenses: $30,000
Net Earnings: $40,000
A. $75,000
B. $50,000
C. $120,000
D. $45,000
Answer: (SHOW ANSWER)
Gross profit is calculated as sales minus the cost of goods sold. For Widget Inc.: $200,000 - $80,000 =
$120,000. The feedback from the document states:
"Sales are reduced by the expenses that were incurred in order to generate the goods sold (cost of goods sold).
These expenses include the cost of inventories used to produce the goods as well as the labour that went into their production. The sales revenue, net of the cost of producing those goods, is known as gross profit. In this case, gross profit = $200,000 - $80,000 = $120,000." Reference: Chapter 9 - Understanding Financial StatementsLearning Domain: Understanding Investment Products and Portfolios

NEW QUESTION: 140
You wish to sell a perpetual preferred share with a par value of $25.00, which pays a quarterly dividend of
$0.25. If other preferred shares of similar quality are currently yielding 3.5%, what price should you expect to receive for your share?
A. $30.35
B. $25.00
C. $28.57
D. $14.29
Answer: C (LEAVE A REPLY)

The market value of a perpetual preferred share is calculated by dividing the annual dividend by the yield of similar shares. Annual dividend = $0.25 × 4 = $1.00. Price = $1.00 / 0.035 = $28.57.
The feedback from the document states:
"The current market value of a perpetual preferred share is calculated by dividing the annual dividend in dollars by the annual yield currently offered on preferred shares of a similar level of risk. In this case, the share would be valued as: ($0.25 × 4) / 0.035 = $28.57." Reference:
Chapter 7 - Types of Investment Products and How They Are TradedLearning Domain:
Understanding Investment Products and Portfolios

NEW QUESTION: 141
An investor wishes to add another security to his portfolio. He is looking at a stock that has a correlation with the portfolio of 0.99. What should the advisor tell this investor?
A. This security will reduce the risk of the portfolio, as there is an almost perfect positive correlation.
B. This security will not reduce the risk of the portfolio, as the correlation is almost positively perfect.
C. This security will not reduce the risk of the portfolio, as the correlation is too low.
D. This security will reduce the risk of the portfolio, as the correlation is very low.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 142
Terri, 30 years old, is the marketing manager at Provincial Winery with an average annual income of $60,000.
Her spouse Yvette, 28 years old, is a project manager with a telecommunications firm earning $70,000 per year. You are helping them to organize their investments and are trying to assess their financial resources.
Which of the following is the best question to ask?
A. Do you have any children?
B. Do you have pension plans at work?
C. When do you need the money?
D. What is your investment experience?
Answer: B (LEAVE A REPLY)
One of the steps in the Know Your Client (KYC) rule is to assess the client's financial resources, which include their income, assets, liabilities, and net worth. Asking about pension plans at work is a relevant question to determine the client's sources of income and potential retirement savings. Pension plans can also affect the client's risk tolerance and investment objectives, as they may provide a stable and guaranteed income in the future. Asking about children, money needs, and investment experience are also important questions, but they relate to other aspects of the KYC rule, such as personal circumstances, time horizon, and investment knowledge.
References:

Canadian Investment Funds Course (CIFC) Study Guide, Chapter 1: The Investment Funds Industry, Section
1.4: The Know Your Client (KYC) Rule, page 1-111
Know Your Client (KYC) Definition - Investopedia

NEW QUESTION: 143
What decision accounts for most of the success or failure of a portfolio?
A. Market timing
B. Security analysis
C. Sector weighting
D. Asset allocation
Answer: (SHOW ANSWER)
Research and the CSC curriculum stress that asset allocation is the single most important factor in determining portfolio performance, more than market timing or security selection.
Proper asset mix (equities, fixed income, cash) accounts for most portfolio success or failure.

NEW QUESTION: 144
Your client contacts you requesting that you purchase a mutual fund based on a "hot tip" from a friend who has been a successful investor. What bias is your client most likely being affected by?
A. Overconfidence
B. Availability
C. Endowment
D. Cognitive dissonance
Answer: A (LEAVE A REPLY)
Overconfidence bias leads investors to overestimate their knowledge or the reliability of information, such as a "hot tip," prompting them to act without sufficient due diligence. The feedback from the document states:
"Overconfidence is defined generally as unwarranted faith in one's intuitive reasoning, judgements and cognitive abilities. People tend to overestimate both their predictive abilities as well as the precision of the information they have been given. For example, an investor may get a tip from a wealth advisor or read something on the Internet about an investment opportunity, and then take action (that is, make the decision to invest) based on her perceived knowledge advantage." Reference: Chapter 5 - Behavioural FinanceLearning Domain: The Know Your Client Communication Process

NEW QUESTION: 145
One of your clients, Sheldon, is 65 years old. He has $30,000 to invest. He has a low risk profile, and an investment objective of receiving regular income. He has a time horizon of 5 years.

Based on Sheldon's risk profile and investment objective, which of the following investment recommendations is MOST appropriate for Sheldon?
A. ABC common shares which had a 20% annual yield during the previous 5 years.
B. 3% Government of Canada Bonds at par, which have a maturity that coincides with Sheldon's time horizon.
C. FEG Labour-Sponsored Fund which will give him a tax benefit.
D. Debentures of XYZ Corporation will give Sheldon a regular income and an attractive yield.
Answer: (SHOW ANSWER)
Government of Canada Bonds are fixed income securities issued by the federal government that pay a fixed rate of interest (coupon) and return the principal amount (par value) at maturity. They are considered low risk investments, as they are backed by the full faith and credit of the government. They also provide regular income to investors, as they pay interest semi-annually. For Sheldon, who has a low risk profile and an investment objective of receiving regular income, 3% Government of Canada Bonds at par would be an appropriate investment recommendation, as they would match his time horizon of 5 years and provide him with a stable and predictable income stream. The other options are not suitable for Sheldon, as they involve higher risk, volatility, or complexity.
References = Canadian Investment Funds Course, Unit 5: Types of Investments, Lesson 2: Fixed Income Securities, Section 5.2.1: Government Bonds1; CIFC prepkit, Chapter 5: Types of Investments, Question
5.2.1 2

NEW QUESTION: 146
What financial instrument is used for publicly-funded capital projects?
A. Treasury bill
B. Commercial paper
C. Preferred issue
D. Common shares
Answer: A (LEAVE A REPLY)
Governments finance publicly funded capital projects through issuing securities. The Government of Canada uses both bonds and Treasury bills (T-bills) to raise funds for deficits and large infrastructure projects.
T-bills are short-term debt instruments used frequently for government funding.
Commercial paper = corporate borrowing.
Preferred and common shares = equity securities, not typically for public capital projects.
Thus, the correct answer is Treasury bill.

NEW QUESTION: 147
Jeremy is reviewing the prospectus of a Canadian equity fund and notes the fund permits the use of derivatives. The stated objective of the derivative use is bet on the future movement of the market to increase the fund's returns. What should Jeremy be aware of regarding this fund?

A. Derivatives are used for speculation
B. Derivatives are used as a portfolio hedge
C. The fund limits derivatives up to 15% of the value of the portfolio
D. The fund limits derivatives up to 5% of the value of the portfolio
Answer: A (LEAVE A REPLY)
The question specifies that the fund's objective is to "bet on the future movement of the market to increase returns." This is speculation, not hedging.
Under NI 81-102, conventional mutual funds may use derivatives, but only under restrictions (hedging, market entry/exit, or income enhancement). Speculative use must be disclosed in the prospectus.
Hedge funds and some alternative mutual funds can use derivatives for speculation with leverage.
Thus, Jeremy should note that this fund uses derivatives for speculation.

NEW QUESTION: 148
If the Consumer Price Index (CPI) was 140.6 last year and 146.9 this year, what was the inflation rate over the year?
A. 4.12%
B. 5.20%
C. 4.48%
D. 6.04%
Answer: C (LEAVE A REPLY)
The inflation rate is calculated by subtracting the previous year's CPI from the current year's CPI, dividing by the previous year's CPI, and multiplying by 100. In this case:
(146.9 - 140.6) / 140.6 = 6.3 / 140.6 # 0.0448 or 4.48%.
The feedback from the document confirms:
"To calculate the rate of inflation over a period of time one must subtract the CPI at the beginning of the period from the CPI at the end of the period and then divide the result by the CPI at the beginning of the period. In this example, the solution can be derived as follows: (146.9 - 140.6) / 140.6." Reference: Chapter 3 - Economic PrinciplesLearning Domain: An Introduction to the Mutual Funds Marketplace

NEW QUESTION: 149
Which of the following are obligations on mutual fund dealing representatives imposed by The Proceeds of Crime (Money Laundering) and Terrorist Financing Act?
A. confirming client identity each time before concluding any transaction
B. reporting all financial transactions to the Financial Transactions and Reports Analysis Centre of Canada (FINTRAC)
C. enhancing public awareness of matters related to money laundering and terrorist financing
D. record-keeping of large transactions, account-related information, and other relevant records
Answer: D (LEAVE A REPLY)

NEW QUESTION: 150

Which of the following statements about total return for money market funds is TRUE?

A. Performance is displayed with both current yield and effective yield.

B. Effective yield will always be lower than current yield.

C. Current yield incorporates the compounding effect.

D. Current yield reflects the income earned on a money market fund for the most recent 14 day period.

Answer: (SHOW ANSWER)

Current yield and effective yield are two ways of measuring the total return for money market funds. Current yield reflects the income earned on a money market fund for the most recent 14 day period, annualized.

Effective yield incorporates the compounding effect of reinvesting the income earned on a money market fund over a year. Both current yield and effective yield are displayed in the performance reports of money market funds, as they provide different information to investors.

References = Canadian Investment Funds Course, Unit 5: Types of Investments, Lesson 4: Money Market Instruments, Section 5.4.3: Total Return for Money Market Funds1; CIFC prepkit, Chapter 5: Types of Investments, Question 5.4.3 2

NEW QUESTION: 151

Which of the following characteristics about mortgage mutual funds is CORRECT?

A. typically monthly distributions of interest

B. if interest rates fall, the mutual fund's net asset value per unit (NAVPU) will decline

C. suitable only for high risk investors

D. risk-free where the mortgages are National Housing Act (NHA) insured

Answer: A (LEAVE A REPLY)

A is correct because mortgage mutual funds typically pay monthly distributions of interest to their investors, as they invest in mortgages that generate regular interest income. If interest rates fall, the mutual fund's net asset value per unit (NAVPU) will increase (B), not decline, as the value of the existing mortgages in the fund will rise. Mortgage mutual funds are suitable for low to moderate risk investors ©, not only for high risk investors, as they provide stable income and capital preservation. Mortgage mutual funds are not risk-free (D), even if the mortgages are National Housing Act (NHA) insured, as they still face credit risk, interest rate risk, and liquidity risk.

NEW QUESTION: 152

Sharon short-sold 7,500 shares of LMP at $85. She later buys back the short position at $95. Sharon was charged a 1% commission on the proceeds for both the short sale and buyback transactions. What is Sharon's profit or loss?

A. $88,500 loss.
B. $74,250 profit.
C. $75,000 loss.
D. $61,500 profit.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 153

Winter is a Dealing Representative with Top Tier Investing, a mutual fund dealer and member of the Mutual Fund Dealers Association of Canada (MFDA). Which of the following statements about Winter's suitability obligation is CORRECT?
Winter is required to make a suitability determination every time:
i) she makes a recommendation to a client
ii) a client's investment returns decline.
iii) she opens a new client account
iv) the markets fluctuate.

A. i and ii
B. i and iii
C. ii and iii
D. iii and iv

Answer: B (LEAVE A REPLY)

According to the MFDA Rules, a Dealing Representative is required to make a suitability determination every time:
The Dealing Representative makes a recommendation to a client;
The Dealing Representative accepts a trade instruction from a client;
The Dealing Representative opens a new account for a client or changes the account type; The Dealing Representative becomes aware of a material change in the client's KYC information; Securities are transferred or re-registered into the client's account; or There has been a change in the Approved Person responsible for the client's account2 A suitability determination is the process of ensuring that any investment action taken for a client is suitable for the client based on their KYC information, such as investment objectives, risk tolerance, time horizon, financial situation, and investment knowledge. A suitability determination also requires putting the client's interests first and disclosing any material factors involved in the investment action2 Therefore, Winter is required to make a suitability determination every time she makes a recommendation to a client (i) or she opens a new client account (iii). She is not required to make a suitability

determination every time a client's investment returns decline (ii) or the markets fluctuate (iv), unless these events trigger a material change in the client's KYC information or affect the suitability of the client's portfolio.
1: MSN-0069 | MFDA 2 (Know-Your-Client (KYC) and Suitability)

NEW QUESTION: 154
The Mutual Fund Dealers Association of Canada (MFDA) has strict rules concerning conflicts of interest.
Which of the following is TRUE?
A. Gifts and benefits may be provided to a client if your employer is aware of the benefits and has given approval.
B. Activities that do not relate specifically to your employer need not be reported.
C. Only actual conflicts must be reported to your employer. Potential conflicts need not be reported because they have not happened yet.
D. Borrowing money from a client will always be acceptable provided there is a written contract detailing the nature of the agreement.
Answer: A (LEAVE A REPLY)
Gifts and benefits may be provided to a client if your employer is aware of the benefits and has given approval. This is one of the rules concerning conflicts of interest set by the MFDA. A conflict of interest is a situation where a person's personal interests conflict with their professional obligations or duties. Gifts and benefits may create a conflict of interest if they influence or appear to influence the person's judgment or actions. Therefore, the MFDA requires that any gifts and benefits given or received by a mutual fund dealer or its representatives must be disclosed to and approved by the dealer, and must not compromise or appear to compromise the dealer's or representative's integrity or objectivity. References: MFDA Bulletin #0756-P - Conflicts of Interest

NEW QUESTION: 155
Which investor's needs would be BEST met with an income trust?
A. Tina wants a product that guarantees the return of at least 75% of her capital upon maturity of the contract or upon her death.
B. Leanne wants a product that employs alternative strategies such as leverage and short selling to amplify returns.
C. Gary wants to invest in a product which provides a consistent cash flow of interest, royalties, and lease payments passed along to unitholders.
D. Phil wants to invest in a product where the performance is linked to that of an underlying asset and the issuer is obligated to repay his principal at maturity.
Answer: C (LEAVE A REPLY)
An income trust is an investment trust that holds income-producing assets, such as debt instruments, royalty interests, or real properties. It can be structured as either a personal investment fund or a commercial trust with publicly traded closed-end fund shares. The main

attraction of income trusts, in addition to certain tax preferences for some investors, is their stated goal of paying out consistent cash flows for investors, which is especially attractive when cash yields on bonds are low12 References = Canadian Investment Funds Course (CIFC) - Module 2: Investment Products - Section 2.3:
Income Trusts3 and web search results from search_web(query="income trust")12
3: https://www.ifse.ca/wp-content/uploads/2021/08/CIFC-Module-2.pdf

NEW QUESTION: 156
Ayan wants to make a registered retirement savings plan (RRSP) contribution and deduct it from his Year 1 income. What is the deadline for this contribution (assume that it is NOT a leap year)?
A. March 1, Year 2
B. December 31, Year 2
C. March 1, Year 1
D. December 31, Year 1
Answer: A (LEAVE A REPLY)

NEW QUESTION: 157
In a mutual fund sales representative's interaction with clients, what term best describes a set of moral principles that incorporate both the letter of the law and the spirit of the law?
A. Compliance
B. Ethical conduct
C. Fiduciary
D. Professional responsibility
Answer: B (LEAVE A REPLY)
Ethics in the securities industry are defined as moral principles that go beyond simple compliance with the law, incorporating both the letter and the spirit of the law .
Compliance = following rules only.
Fiduciary duty = acting in the best interest of clients.
Professional responsibility = broader conduct obligations.
The correct term here is Ethical conduct.

NEW QUESTION: 158
What would be considered a fixed asset of a company?
A. Marketable securities
B. Inventories
C. Computers
D. Trade receivables
Answer: C (LEAVE A REPLY)
Fixed assets are long-term tangible assets used in business operations, not held for resale (e.g., land, buildings, machinery, equipment, computers).

Marketable securities (A) are current assets (short-term investments).
Inventories (B) are current assets.
Trade receivables (D) are current assets (accounts receivable).

NEW QUESTION: 159
Reginald is a Dealing Representative, who feels pressure from management at the beginning of every calendar year, to open new registered retirement savings plans (RRSPs) and generate RRSP contributions. It is the end of February, and Reginald is close to reaching his personal sales objectives. He just finished an appointment with a prospective new client, Orel. Orel wants to open a tax-free savings account (TFSA) to build emergency savings. However, Reginald recommended to Orel that he should first contribute to an RRSP, and then use the tax savings for a TFSA contribution. With regards to account suitability, what can be said about Reginald's advice?
A. Reginald is putting the client's interest first by informing Orel why he should change his investment strategy.
B. Based on Orel's stated need, recommending an RRSP contribution is unsuitable.
C. Recommending an investment solution that addresses two needs, is putting Reginald's client's interest first.
D. By convincing Orel to contribute to an RRSP, instead of a TFSA, Reginald has put his client's interest first.
Answer: (SHOW ANSWER)
Orel's goal is to build emergency savings, which means he needs a flexible and accessible account that does not penalize withdrawals. A TFSA is more suitable for this purpose, as it allows tax-free withdrawals at any time and does not affect other income-tested benefits. An RRSP, on the other hand, is designed for long-term retirement savings, and withdrawals are subject to income tax and withholding tax. Moreover, RRSP withdrawals reduce the contribution room permanently, and may affect eligibility for government benefits such as the Canada Child Benefit or the Guaranteed Income Supplement.
References = Canadian Investment Funds Course (CIFC) - Module 3: Registered Plans - Section 3.1:
Registered Retirement Savings Plan (RRSP)1 and Section 3.2: Tax-Free Savings Account (TFSA)2
1: https://www.ifse.ca/wp-content/uploads/2021/08/CIFC-Module-3.pdf 2: https://www.ifse.ca/wp-content
/uploads/2021/08/CIFC-Module-3.pdf

NEW QUESTION: 160
What is an implicit cost of principal protected notes?
A. Structuring costs and guarantee fees
B. Performance participation caps
C. Commissions

D. Early redemption fees
Answer: B (LEAVE A REPLY)
Implicit costs of principal protected notes include performance participation caps, which limit the potential returns and are not always explicitly disclosed. The feedback from the document states:
"Implicit costs include fees borne by investors that may or may not be immediately visible and that may or may not be openly disclosed in the documents. Of the items listed, three are explicit costs, and only Performance Participation Caps are an implicit cost." Reference: Chapter 13 - Alternative Managed ProductsLearning Domain: Understanding Alternative Managed Products

NEW QUESTION: 161
Wilma has always used the services of a tax preparation firm to file her taxes but is skeptical that she has really benefitted. This year she plans to file her own taxes for the first time.
What would be useful for her to know?
A. Wilma's marginal tax rate may be lowered when tax deductions are applied to her total income.
B. Wilma's top marginal tax rate will be applied to every taxable dollar when her tax return is filed.
C. Wilma's tax deductions permit her to reduce her tax payable dollar-for-dollar.
D. Wilma's non-refundable tax credits may only reduce her taxable income dollar-for-dollar.
Answer: (SHOW ANSWER)
Tax deductions are amounts that reduce your total income before calculating your tax payable. They lower your marginal tax rate, which is the tax rate that applies to your last dollar of income. For example, if Wilma's total income is $50,000 and she claims $5,000 in tax deductions, her taxable income will be $45,000 and her marginal tax rate will be lower than if she had no deductions. Therefore, A is the correct answer.
References: All deductions, credits, and expenses - Personal income tax - Canada.ca

NEW QUESTION: 162
What best describes why mortgage funds generally have less sensitivity to changes in interest rates than bond funds?
A. Many mortgage funds also hold T-bills and mortgage-backed securities, which are less volatile
B. Interest on mortgages is usually paid monthly, while interest on bonds is typically paid semi-annually
C. Mortgage funds are highly diversified, often holding over 10,000 individual mortgages
D. Most mortgages held in mortgage funds are either NHA-insured or privately insured
Answer: B (LEAVE A REPLY)
Mortgage funds have lower interest rate sensitivity than bond funds because mortgage rates change less frequently, and interest is paid monthly rather than semi-annually, reducing the impact of rate changes. The feedback from the document states:

"Interest rate sensitivity is expected to be lower for mortgage funds than for bond funds for two reasons. First, mortgage rates change much less frequently than interest rates on bonds... Second, mortgages by nature have less interest rate risk than bonds. The reason, in part, is that interest on mortgages is paid monthly, while interest on bonds is paid semi-annually."
Reference: Chapter 11 - Conservative Mutual Fund ProductsLearning Domain: Analysis of Mutual Funds

NEW QUESTION: 163
Lior is considering an investment that gains exposure to companies that trade on the Toronto Stock Exchange (TSX). He is not sure what the differences are between a Canadian equity fund and a Canadian dividend fund.
What would you tell him?
A. Equity funds are more appropriate than dividend funds if Lior requires a steady flow of income.
B. Dividend funds generate tax-preferred income while income from equity funds is fully taxable.
C. Dividend funds tend to be less volatile and lower risk than equity funds.
D. Equity funds hold common shares while dividend funds hold only preferred shares.
Answer: C (LEAVE A REPLY)
The answer that you should tell Lior is that dividend funds tend to be less volatile and lower risk than equity funds. A dividend fund is a type of equity fund that invests primarily in dividend-paying stocks, which are shares of companies that distribute a portion of their earnings to shareholders on a regular basis. A dividend fund provides income and capital appreciation to investors, as well as tax advantages for eligible dividends paid by Canadian corporations. A dividend fund tends to be less volatile and lower risk than an equity fund that invests in non-dividend-paying stocks or growth stocks, which are shares of companies that reinvest their earnings into expanding their business rather than paying dividends. This is because dividend-paying stocks are usually issued by well-established and profitable companies that have stable cash flows and earnings, which make them more resilient to market fluctuations and economic downturns. Therefore, option C is correct regarding what you should tell Lior. The other options are not correct or relevant to what you should tell Lior. Option A is false because equity funds are not more appropriate than dividend funds if Lior requires a steady flow of income; rather, dividend funds are more suitable for income-oriented investors who want to receive regular dividends from their investments. Option B is false because dividend funds do not generate tax-preferred income while income from equity funds is fully taxable; rather, both types of funds generate taxable income for investors, but eligible dividends from Canadian corporations may qualify for a lower tax rate than other types of income due to the dividend tax credit. Option D is false because equity funds do not hold common shares while dividend funds hold only preferred shares; rather, both types of funds hold common shares, but dividend funds focus on common shares that pay dividends, while equity funds may also hold common shares that do not pay dividends or pay low dividends. References: [Dividend Funds | GetSmarterAboutMoney.ca], [Equity Funds | GetSmarterAboutMoney.ca], [Dividend Tax Credit | GetSmarterAboutMoney.ca]

NEW QUESTION: 164
You are meeting a new client, Steven, and you are trying to determine his level of understanding of different investments. Which question would give you the most information regarding your client's familiarity with investing?
A. Do you want to minimize taxes from your investments?
B. What rate of return do you expect from investing?
C. Do you understand the relationship between risk and return?
D. Do you have the resources to invest for the long-term?
Answer: C (LEAVE A REPLY)
This question would give you the most information regarding your client's familiarity with investing because it tests their basic knowledge of one of the fundamental concepts in finance. The relationship between risk and return is the trade-off that investors face when choosing between different investments. Generally, the higher the risk, the higher the expected return, and vice versa. A client who understands this relationship would be able to evaluate the potential outcomes and costs of their investment decisions and choose the ones that match their risk tolerance and return objectives. A client who does not understand this relationship might have unrealistic expectations or make unsuitable choices.
References = Risk-Return Tradeoff Definition - Investopedia, Risk and Return - Corporate Finance Institute, Risk and Return: An Introduction - Morningstar

NEW QUESTION: 165
What type of managed fund, recently introduced to Canada, is allowed greater use of short sales, leverage, and derivatives compared to mutual funds, but not to the same extent as hedge funds?
A. Liquid alts
B. Private equity
C. Closed-end discretionary fund
D. Principal-protected notes
Answer: A (LEAVE A REPLY)
Liquid alternative funds (liquid alts) are designed to offer more flexibility in using short sales, leverage, and derivatives compared to traditional mutual funds, but with less freedom than hedge funds. The feedback from the document states:
"Liquid alts, also known as alternative mutual funds, were recently introduced into Canada, and are allowed greater use of short sales, leverage, and derivatives compared to regular mutual funds, but not to the same extent as hedge funds." Reference: Chapter 13 - Alternative Managed ProductsLearning Domain: Understanding Alternative Managed Products

NEW QUESTION: 166
Which of the following is a characteristic of a bond fund?
A. Income from a bond fund will primarily be interest but may also be capital gains

B. Bond funds are very low risk because they never go down in value.
C. If interest rates rise the value of a bond fund will also tend to rise.
D. Securities regulation specifies that bond funds must invest in investment grade bonds.
Answer: (SHOW ANSWER)
A bond fund is a mutual fund that invests primarily in bonds and other debt securities. Income from a bond fund will primarily be interest but may also be capital gains if the fund sells bonds that have appreciated in value. Bond funds are not very low risk because they can fluctuate in value depending on interest rate changes and credit risk. If interest rates rise, the value of a bond fund will tend to fall because existing bonds will become less attractive than new bonds with higher rates. Securities regulation does not specify that bond funds must invest in investment grade bonds, although some funds may have this as an investment objective or policy. References: What Is a Bond Fund?

NEW QUESTION: 167
In which of the following situations would the client mobility exemption apply?
A. Olaf is a registered dealing representative in Sunnyside, Prince Edward Island. His client Jules is moving to Moncton, New Brunswick. Olaf's mutual fund dealer is not currently registered in New Brunswick but is in the process of applying there.
B. Sigrid's brother-in-law has agreed to be her client. She is a registered dealing representative in Ottawa, Ontario and he lives in Hull, Quebec. Both Sigrid and her mutual fund dealer are currently registered in Quebec.
C. Although her mutual fund dealer is registered in all provinces and territories, Lori is only registered as a dealing representative in Saskatchewan. Last year, three of Lori's clients moved to Alberta and now two more are moving to that province. Lori wants to continue servicing these clients.
D. Karl is a registered dealing representative in Dauphin, Manitoba. 30 of his clients who work for the same company are being relocated to British Columbia. He wants to retain these clients. His mutual fund dealer is registered in British Columbia, but Karl is not.
Answer: C (LEAVE A REPLY)
The client mobility exemption is a provision in the National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations that allows a registered individual to continue dealing with a client who moves to another jurisdiction without having to register in that jurisdiction, subject to certain conditions. One of the conditions is that the

individual must not have more than five clients in each of the other jurisdictions where they are not registered. Therefore, the client mobility exemption would apply to Lori' s situation, as she has five or fewer clients in Alberta, where she is not registered. The client mobility exemption would not apply to the other situations, as they do not meet the conditions for the exemption. For example, Olaf's mutual fund dealer is not registered in New Brunswick, which is a requirement for the exemption. Sigrid's brother-in-law is not an existing client who moved to another jurisdiction, but a new client who resides in a different jurisdiction. Karl has more than five clients in British Columbia, where he is not registered, which exceeds the limit for the exemption.
Canadian Investment Funds Course, Chapter 1: The Canadian Financial Services Industry1

NEW QUESTION: 168
Khuyen is a Dealing Representative for Stark Contrast Investments. Her dealer has relationships with 20 different mutual fund families. This gave her the flexibility to sell two different types of funds from two different fund families to her client, Bao. $5,000 was invested in the Blue Moon Global Balanced fund and an additional $5,000 was invested in the Orange Sun Asset Allocation fund. Khuyen has been reviewing the performance of both funds and has determined that Bao would be better off being fully invested in the Blue Moon Global Balance fund. Bao had previously signed a Limited Authorization Form (LAF) for Khuyen, so she goes ahead and does not worry about consulting with Bao before making the change.
What type of activity has Khuyen performed?
A. Top-down management
B. Churning
C. Discretionary trading
D. Value investing
Answer: C (LEAVE A REPLY)
Discretionary trading is a type of trading activity where the advisor makes investment decisions on behalf of the client without obtaining the client's prior consent for each transaction. Discretionary trading is only allowed if the client has signed a discretionary management agreement with the advisor and the advisor is registered as a portfolio manager. A limited authorization form (LAF) does not grant the advisor the authority to engage in discretionary trading. A LAF only allows the advisor to execute trades that are initiated by the client, such as pre-authorized contributions or withdrawals. Therefore, Khuyen has performed discretionary trading by switching Bao's funds without consulting him, which is a violation of her registrant responsibilities and ethical standards. References:
Canadian Investment Funds Course (CIFC) Study Guide, Chapter 2: The Sales Process, Section 2.4: Ethics and Compliance, page 2-161 Discretionary Trading Definition - Investopedia2

NEW QUESTION: 169

Nelson is a Dealing Representative with True Wealth Advisors Inc., a mutual fund dealer. Nelson follows proper procedures related to his firm's Relationship Disclosure Information (RDI). Which of the following CORRECTLY describes how Nelson is permitted to evidence that he satisfied his RDI obligation?

A. Nelson may retain a copy of the RDI in the client file with detailed notes to confirm that he provided and explained the RDI to the client.

B. Nelson may deliver the RDI to clients who request it and keep detailed notes of the clients who were provided with the RDI.

C. Nelson can formalize his relationship under the RDI using a Letter of Engagement that specifies duties, responsibilities, and level of service.

D. Nelson can record detailed notes which confirm that he provided and explained the Fund Facts to the client within 2 days of the RDI.

Answer: A (LEAVE A REPLY)

Relationship Disclosure Information (RDI) is a document that provides important information about the nature and scope of the relationship between a registered firm and its clients. It covers topics such as the products and services offered by the firm, the fees and charges applicable to the client's account, the risks associated with investing, the conflict of interest management policies of the firm, and the dispute resolution services available to the client. According to Section 14.2 of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations (NI 31-103), registered firms must provide RDI to their clients before they purchase or sell securities for them or advise them to do so. Registered firms must also update RDI in a timely manner if there are any significant changes to it. To evidence that they have satisfied their RDI obligation, registered firms may retain a copy of the RDI in the client file with detailed notes to confirm that they have provided and explained RDI to their clients. This is one of the acceptable methods suggested by Alberta Securities Commission (ASC) in its presentation on RDI1. Delivering RDI only upon request or using a letter of engagement are not sufficient methods to comply with NI 31-103.

Providing and explaining Fund Facts is a separate obligation under NI 31-101 Mutual Fund Distribution Rules. References: Relationship Disclosure Information August 2021, Relationship Disclosure Information, Relationship Disclosure Information

NEW QUESTION: 170

What type of pension plan usually provides better protection against inflation up to the time of retirement?

A. Group RRSP

B. Career average

C. Defined contribution

D. Final average

Answer: (SHOW ANSWER)

Defined benefit pension plans base retirement income on formulas that may use:

Career average earnings # lower protection against inflation.

Final average earnings (last few years of salary) # better protection against inflation, since the calculation reflects recent, higher earnings that have already adjusted for inflation.
Defined contribution and group RRSPs do not guarantee inflation-adjusted benefits.
Thus, the Final average pension plan offers better inflation protection before retirement.

NEW QUESTION: 171
What is the characteristic of a Stage 2 - Family Commitment investor that most affects the ability to save for the long term?
A. Lack of liquidity
B. Marginal tax bracket
C. Wealth transfer considerations
D. Risk tolerance
Answer: A (LEAVE A REPLY)
Stage 2 - Family Commitment investors typically face liquidity constraints due to family and financial obligations, which hinders their ability to save for long-term goals. The feedback from the document states:
"In Stage 2, the lack of liquidity that is typical results in a difficulty in allocating funds to savings. Although they might identify long-term goals, such as retirement saving, they can barely manage to save enough for more pressing short-term goals." Reference: Chapter 4 - Getting to know the clientLearning Domain: The Know Your Client Communication Process

NEW QUESTION: 172
How can specialty mutual funds mitigate some of the risks associated with the product?
A. Reduce risk by holding securities with high market betas
B. Increase diversification by holding securities with low correlation
C. Reduce volatility by investing in fewer sectors
D. Increase returns through derivative market strategies
Answer: (SHOW ANSWER)
Specialty funds are narrowly focused and often risky on their own. However, when combined with other asset classes, they can add diversification benefits, especially if their returns have a low correlation with other portfolio holdings .
Holding high beta securities increases risk.
Using derivatives may increase returns but not reduce risk.
Fewer sectors = higher concentration risk.
Therefore, risk mitigation comes from low-correlation diversification.

NEW QUESTION: 173
The performance of ABC Mutual Fund ranks 54 out of 100 funds in its peer group. What is its quartile ranking?
A. 4th quartile
B. 1st quartile

C. 2nd quartile
D. 3rd quartile
Answer: D (LEAVE A REPLY)
Quartile rankings divide funds into four equal groups, with the 1st quartile being the top 25%. A rank of 54 out of 100 places the fund in the 3rd quartile (51-75). The feedback from the document states:
"A quartile sorts performance into four equal parts or blocks. The quartiles are given a rank - 1, 2, 3 or 4 - to show how well a certain fund's performance compared to all other funds in the peer group, with the 1st quartile representing the top 25 performers." Reference: Chapter 14 - Understanding Mutual Fund PerformanceLearning Domain: Evaluating and Selecting Mutual Funds

NEW QUESTION: 174
What does suitability mean?
A. Recommendations are appropriate for the client's unique situation and investment objectives
B. The investor's major concerns are addressed
C. Understanding the personal and financial knowledge of the client
D. Recommendations are not based on the personal and financial knowledge of the client
Answer: (SHOW ANSWER)
Suitability ensures that recommendations align with the client's unique situation and investment objectives, based on their personal and financial circumstances. The feedback from the document states:
"Suitability means ensuring that all recommendations are appropriate for the client's unique situation and investment objectives. It also means that recommendations are based on a personal and financial knowledge of the client and knowledge of the investment products being recommended." Reference: Chapter 1 - The Role of the Mutual Fund Sales RepresentativeLearning Domain: An Introduction to the Mutual Funds Marketplace

NEW QUESTION: 175
What type of shares offer its shareholders the opportunity to receive additional dividends if the company's profit exceeds a stated level?
A. Redeemable preferred shares
B. Cumulative preferred shares
C. Convertible preferred shares
D. Participating preferred shares
Answer: D (LEAVE A REPLY)
Participating preferred shares are a type of preferred shares that offer its shareholders the opportunity to receive additional dividends if the company's profit exceeds a stated level. These dividends are paid in addition to the fixed dividends that are normally paid to preferred shareholders. Participating preferred shares allow shareholders to benefit from both fixed and

variable income streams, depending on the company's performance. References: Participating Preferred Stock Definition - Investopedia, Preferred Shares Explained
| TD Direct Investing

NEW QUESTION: 176
Which investment securities will change value depending on the price change in the underlying assets?
A. Non-convertible preferred shares
B. Common shares
C. Futures contracts
D. Corporate bonds
Answer: C (LEAVE A REPLY)

NEW QUESTION: 177
Ian is 25, employed, and has no dependents. He has no current financial or family obligations. He has asked for your recommendation for investing a $50,000 inheritance. What asset allocation would typically suit an investor with Ian's characteristics?
A. 10% in a bond fund, 80% in equity funds, 10% in a money market fund
B. 10% in equity funds, 70% in a bond fund, 20% in a money market fund
C. 35% in equity, 25% in a money market fund, 60% in a bond fund
D. 50% in equity funds, 20% in a bond fund, and 30% in a money market fund
Answer: (SHOW ANSWER)
Ian, as a Stage 1 - Early Earning Years investor, has no family or financial commitments, allowing for a higher risk tolerance. An asset allocation with a heavy equity weighting, such as 80% in equity funds, is suitable. The feedback from the document states:
"Ian would be considered a Stage 1 - Early Earning Years investor. Stage 1 investors, in general, are free of family and financial commitments, and would typically have a higher ability to tolerate risk. Thus, with its higher level of risk and lower component of income-based investments, 10% in a bond fund, 80% in equity funds and 10% in a money market fund would be most likely to be suitable." Reference: Chapter 4 - Getting to know the clientLearning Domain: The Know Your Client Communication Process

NEW QUESTION: 178
Sonya, a mutual fund manager for Drake Financial, has had a stellar year in managing their Canadian equity portfolio and has outperformed the benchmark by over 200 basis points. She is now concerned that within the last couple of months of this calendar year, the Canadian equity market is due for a 10 to 15% pullback.
Which investment strategy would be most appropriate for her to implement for the last couple of months of the year to offset the market correction?
A. Buy put options on the iShares S&P/TSX 60 Index Fund
B. Buy call options on the iShares S&P/TSX 60 Index Fund

C. Increase her equity exposure to the consumer staples sector
D. Reduce her equity exposure to the energy sector
Answer: A (LEAVE A REPLY)
To protect against a market decline, purchasing put options on an index fund like the iShares S&P/TSX 60 allows the portfolio to offset losses by gaining value if the market falls. The feedback from the document states:
"A fund manager may have experienced a rapid growth in the value of her portfolio, but is concerned that the market may fall. To protect herself against a fall in value, she purchases put options on the iShares S&P/TSX
60 Index Fund (i60s). If the market declines, the fall in value of the portfolio is offset by an increase in the value of the put options." Reference: Chapter 7 - Types of Investment Products and How They Are TradedLearning Domain:
Understanding Investment Products and Portfolios

NEW QUESTION: 179
Max, a financial advisor, has invited his client, Natalia, for an annual review of her retirement plan. However, Natalia does not want to come for a meeting, as she is comfortable with her current portfolio asset allocation and does not think that a review is required at this point. What bias is Natalia demonstrating?
A. Status quo
B. Endowment
C. Overconfidence
D. Availability
Answer: (SHOW ANSWER)
The status quo bias is the tendency for investors to resist change and prefer their current situation, even when a review or adjustment may be beneficial. Natalia refuses to attend a portfolio review because she is comfortable with her current allocation and does not see the need for change.
Endowment bias relates to overvaluing owned assets.
Overconfidence is excessive belief in one's own ability.
Availability bias is reliance on easily recalled information.
Thus, Natalia is demonstrating status quo bias.

NEW QUESTION: 180
Fred's client, Matteo, holds a technology-themed mutual fund. The fund's investment objective recently changed, allowing it to hold various cryptocurrencies, resulting in a high-risk rating and making it unsuitable for Matteo. Fred discussed the change with his client, but Matteo insisted on continuing to hold the fund.
What action must Fred take?
A. Redeem the fund.
B. Update Matteo's risk profile so the fund is now suitable for him.

C. Report the change to senior management.
D. Document the client's decision to hold.
Answer: (SHOW ANSWER)

NEW QUESTION: 181
How is a $10,000 withdrawal from a registered retirement savings plan (RRSP) taxed?
A. As regular income
B. As a deduction against other income
C. At a set rate of 30%
D. Based on the type of investment income type
Answer: (SHOW ANSWER)
Withdrawals from an RRSP are taxed as regular income at the plan holder's marginal tax rate, regardless of the type of income earned within the plan. The feedback from the document states:
"Contributions withdrawn from an RRSP are taxed as regular income at the plan holder's marginal tax rate." Reference: Chapter 6 - Tax and Retirement PlanningLearning Domain: The Know Your Client Communication Process

NEW QUESTION: 182
A sales representative has accepted an instruction from a relatively new client to liquidate all positions and wire the proceeds. This request appears rather unusual and suspicious, so she escalates this to her compliance department. To whom should the compliance department report these transactions?
A. Financial Action Task Force.
B. Financial Transactions and Reports Analysis Centre of Canada.
C. Self-Regulatory Organization.
D. The Privacy Commissioner.
Answer: B (LEAVE A REPLY)

NEW QUESTION: 183
All other factors being equal, which fund outperformed the benchmark during this period? The benchmark return is 4.75%.
Fund

Starting NAV ($)
Ending NAV ($)
ABC
21.15
22.09
FED
25.37
26.61
MCQ
30.14
31.55
XYZ
31.00
31.99
A. ABC
B. FED
C. MCQ
D. XYZ
Answer: C (LEAVE A REPLY)

NEW QUESTION: 184
What bias would influence an investor's decision to continue to hold an unprofitable investment despite little likelihood of an improvement in the investment's value?
A. Representativeness
B. Loss aversion
C. Status quo
D. Cognitive dissonance
Answer: (SHOW ANSWER)
Loss aversion bias causes investors to hold onto unprofitable investments due to a stronger desire to avoid losses than to seek gains. The feedback from the document states:
"Loss aversion bias states that people generally feel a stronger impulse to avoid losses than to acquire gains.
Loss aversion can prevent people from unloading unprofitable investments, even when they see little to no prospect of a turnaround." Reference: Chapter 5 - Behavioural FinanceLearning Domain: The Know Your Client Communication Process

NEW QUESTION: 185
An investor purchases units of an equity fund for $17.60. In which of the following circumstances would an investor potentially owe taxes on capital gains?
A. The fund is sold today for $18.80 per unit and the proceeds are reinvested
B. The fund is currently valued at $18.80 per unit

C. A dividend distribution is reinvested into additional units of the same fund
D. The fund is currently valued at $16.45 per unit
Answer: A (LEAVE A REPLY)
Capital gains are realized when an investor sells a fund at a profit. Selling units at $18.80 (purchased at
$17.60) triggers a taxable capital gain in a non-registered account. The feedback from the document states:
"Capital gains are generated when an investor sells an investment for more than the price paid; for example, selling a stock at a profit will generate a capital gain. Capital gains are not realized when an investment goes up in price; a sale must occur." Reference: Chapter 16 - Mutual Fund Fees and ServicesLearning Domain: Evaluating and Selecting Mutual Funds

NEW QUESTION: 186
Which of the following applies to a mutual fund trust?
A. It has a board of directors and shareholders.
B. It has unitholders.
C. It is not efficient at passing through income to investors.
D. It is always closed-end.
Answer: (SHOW ANSWER)
A mutual fund trust is a type of unit trust that meets certain conditions under the Canadian Income Tax Act and is eligible for favourable tax treatment. A unit trust is a collective investment vehicle that holds assets and distributes profits to individual unit owners, also called unitholders, instead of reinvesting them in the fund. A mutual fund trust is not a corporation and does not have a board of directors or shareholders. It is also not a closed-end fund, which has a fixed number of shares that trade on an exchange. A mutual fund trust is an open-end fund, which can issue and redeem units at any time based on the net asset value of the fund.
Canadian Investment Funds Course, Unit 5, Section 5.1

NEW QUESTION: 187
What type of investment account has the option to open it with rights of survivorship?
A. Registered
B. Trust
C. Non-registered
D. Corporate
Answer: C (LEAVE A REPLY)
Rights of survivorship means that if one account holder dies, their share of the assets automatically transfers to the surviving holder(s).
This feature is available in joint non-registered accounts.
Registered accounts (A) (e.g., RRSP, TFSA) are individual accounts and cannot be opened jointly with rights of survivorship.
Trust accounts (B) follow trust law, not survivorship rules.

Corporate accounts (D) belong to the company, not individuals.

NEW QUESTION: 188

Tony, the investment manager of True North Canadian Equity Fund is deciding on some new investments. He has done an economic analysis of the various provinces and sectors of the Canadian economy and has determined that Nova Scotia and Alberta present the best prospects. He has also identified potential in the oil and gas sector. He narrows down his selection to an oil supply firm in Medicine Hat and a drilling company in Halifax.
What investment approach is Tony employing?

A. bottom-up
B. growth at a reasonable price (GARP)
C. value investing
D. top-down

Answer: (SHOW ANSWER)

Tony is employing a top-down investment approach, which is a method of selecting securities based on macroeconomic factors, such as the state of the economy, the industry trends, and the market conditions. A top-down investor starts by analyzing the big picture and then drills down to the specific sectors, regions, and companies that are expected to perform well in that environment. Tony has done an economic analysis of the various provinces and sectors of the Canadian economy and has determined that Nova Scotia and Alberta present the best prospects. He has also identified potential in the oil and gas sector. He then narrows down his selection to an oil supply firm in Medicine Hat and a drilling company in Halifax. This shows that he is using a top-down approach to choose his investments.
Canadian Investment Funds Course, Chapter 3: Risk and Return1

NEW QUESTION: 189

Which type of managed fund has been in existence the longest?

A. Hedge
B. Investment
C. Segregated
D. Discretionary

Answer: (SHOW ANSWER)

Investment funds, commonly referred to as mutual funds, are the longest-established form of managed funds.
The Investment Funds in Canada course explains that mutual funds have existed for decades and were created to allow individual investors to pool their money and gain access to professionally managed, diversified portfolios. This structure predates hedge funds, segregated funds, and discretionary portfolio management services.
Hedge funds are a relatively recent development and are generally restricted to accredited or sophisticated investors. Segregated funds were introduced later by insurance companies and combine investment features with insurance guarantees. Discretionary management is a service

model rather than a fund structure and became more prominent as wealth management evolved.
The CIFC text emphasizes that mutual funds form the foundation of the Canadian managed products industry due to their accessibility, regulatory oversight, and long history. Because investment (mutual) funds were the first widely available managed investment vehicle, Option B is the correct and fully verified answer.

NEW QUESTION: 190
The portfolio manager of the High Income Fund has 90% of the mutual fund invested in bonds. What is a reason for holding bonds in a mutual fund portfolio?
A. Bonds provide regular interest income which can be flowed out directly to investors.
B. Bonds produce regular capital gain payments which result in preferential tax treatment for unitholders.
C. Coupon payments paid by bonds from large Canadian corporations are eligible for preferential tax treatment.
D. To increase the dividend yield and credit quality of the mutual fund
Answer: A (LEAVE A REPLY)
One of the main reasons for holding bonds in a mutual fund portfolio is to generate regular interest income, which can be distributed to the investors as cash or reinvested in more units of the fund. Bonds are debt securities that pay a fixed or variable rate of interest, called the coupon, to the bondholders until the maturity date, when the principal amount is repaid. The interest income from bonds can provide a steady source of cash flow for the fund and its investors, especially in low-interest-rate environments or when other sources of income, such as dividends or capital gains, are scarce or uncertain

NEW QUESTION: 191
One of your clients, Harry, has heard that he can defer paying tax on capital gains. He wants to know if what he has heard is correct and if so, how to defer paying taxes on capital gains.
What would you tell Harry?
A. He should hold profitable investments as long as possible.
B. He should invest in mutual funds just before the dividend paying date to pick up the dividend.
C. Harry should buy and sell investments actively.
D. He should hold unprofitable investments as long as possible.
Answer: A (LEAVE A REPLY)
The answer that you should tell Harry is that he should hold profitable investments as long as possible. A capital gain is the difference between the selling price and the purchase price of an asset when the selling price is higher than the purchase price. A capital gain is subject to tax only when it is realized, meaning that the asset is sold or disposed of. Therefore, one way to defer paying tax on capital gains is to hold profitable investments as long as possible and delay selling them until a future year. This allows the investor to postpone paying tax on the capital gain and benefit from the compounding effect of the investment returns. Therefore, option A is

correct regarding how to defer paying taxes on capital gains. The other options are not correct or effective ways to defer paying taxes on capital gains. Option B is false because investing in mutual funds just before the dividend paying date does not defer paying taxes on capital gains; rather, it increases the taxable income of the investor by adding dividend income, which may be subject to a gross-up and a tax credit depending on the type of dividend. Option C is false because buying and selling investments actively does not defer paying taxes on capital gains; rather, it triggers more taxable events and increases the transaction costs of investing. Option D is false because holding unprofitable investments as long as possible does not defer paying taxes on capital gains; rather, it reduces the potential return of the portfolio and prevents the investor from using capital losses to offset capital gains from other sources. References:
[Capital Gains Tax in Canada
| Wealthsimple], [Capital Gains Tax: What It Is and How It Works in Canada], [Capital Gains Tax
| GetSmarterAboutMoney.ca]

NEW QUESTION: 192

What is a general observation of the Canadian mutual fund industry's evolution?

A. Providers are expanding the number of fund types.

B. Providers are raising the minimum locked-in periods.

C. Providers are increasing the initial deposit requirements.

D. Providers are advocating the development of more regulations.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 193

You are concerned about upcoming weakness in the Canadian dollar. Which type of fund should you invest in?

A. A specialty fund that uses derivatives to hedge the value of its portfolio

B. An international fund that hedges its foreign currency risk

C. A global fund that hedges its foreign currency risk

D. A global fund that does not hedge its foreign currency risk

Answer: (SHOW ANSWER)

A global fund that does not hedge foreign currency risk benefits from a weakening Canadian dollar, as the value of foreign investments increases in Canadian dollar terms. The feedback from the document states:

"Global mutual funds are attractive in that they can provide a hedge against a decline in the relative value of the Canadian dollar... It is important for mutual fund sales representatives to know whether their global mutual funds hedge foreign exchange risk, because some clients will want to bear that risk themselves, while others will not." Reference: Chapter 12 - Riskier Mutual Fund ProductsLearning Domain: Analysis of Mutual Funds

NEW QUESTION: 194

What is the level of risk associated with a mortgage fund compared to other types of funds?

A. More risk than a precious metals fund, but less risk than a specialty fund
B. More risk than a money market fund, but less risk than a bond fund
C. More risk than a balanced fund, but less risk than a real estate fund
D. More risk than a dividend fund, but less risk than an equity fund
Answer: D (LEAVE A REPLY)
The correct answer is D. More risk than a dividend fund, but less risk than an equity fund. The Investment Funds in Canada curriculum explains that mortgage funds invest primarily in residential and commercial mortgages, generating income from interest payments.
Mortgage funds carry credit risk, interest rate risk, and liquidity risk, making them riskier than traditional dividend or fixed-income funds, which often hold publicly traded securities. However, they are generally less volatile than equity funds, which are subject to broader market fluctuations and business risk.
Dividend funds typically invest in established companies with stable cash flows and are therefore less risky than mortgage funds. Equity funds expose investors to full market risk and price volatility, placing them at a higher risk level than mortgage funds.
The CIFC course places mortgage funds in the mid-risk spectrum, between income-oriented equity funds and growth-oriented equity funds. Therefore, Option D is the correct and fully CIFC-verified answer.

NEW QUESTION: 195
A client has $100,000 in savings, $5,000 in bank accounts, and $10,000 in loans. Calculate his net worth.
A. $115,000
B. $90,000
C. $105,000
D. $95,000
Answer: (SHOW ANSWER)
Net worth is calculated as total assets minus total liabilities. The client's assets are $100,000 (savings) +
$5,000 (bank accounts) = $105,000. The liabilities are $10,000 (loans). Thus, net worth = $105,000 - $10,000
= $95,000. The feedback from the document confirms:
"Net worth is calculated as the value of all of the client's assets after subtracting outstanding loan and mortgage balances. In this example, the client has $100,000 + $5,000 = $105,000 in assets, and $10,000 in loans. Therefore, his net worth is $105,000 - $10,000 = $95,000."
Reference: Chapter 1 - The Role of the Mutual Fund Sales RepresentativeLearning Domain: An Introduction to the Mutual Funds Marketplace

NEW QUESTION: 196
Raybert has a very short-term investment objective and has decided to purchase money market instruments.

There are plenty of 90-day money market securities available for him to choose from. Although Raybert is aware that all the respective issuers have a similar need for his capital, no matter what he decides, he can only afford to purchase one.
In terms of financial markets and their relationship to the principles of supply and demand, which characteristic of investment capital are the issuers being exposed to?
A. Mobility
B. Risk
C. Scarcity
D. Sensitivity
Answer: (SHOW ANSWER)
Scarcity is a characteristic of investment capital that refers to the limited availability of capital relative to the demand for it. Scarcity affects the price and return of capital, as well as the allocation of capital among different issuers and sectors. When capital is scarce, issuers have to compete for it by offering higher returns or lower prices, or by adjusting their financing strategies. When capital is abundant, issuers have more access to it at lower costs or higher prices, or by diversifying their sources of capital. In this case, Raybert has a very short-term investment objective and has decided to purchase money market instruments. There are plenty of
90-day money market securities available for him to choose from, but he can only afford to purchase one.
This means that the issuers of these securities are exposed to the scarcity of capital, as they have to attract Raybert and other investors with similar objectives by offering competitive rates or discounts.
References = Canadian Investment Funds Course, Unit 5: Types of Investments, Lesson 1: Economic Factors and Financial Markets, Section 5.1.1: Characteristics of Investment Capital1; CIFC prepkit, Chapter 5: Types of Investments, Question 5.1.1 2

NEW QUESTION: 197
Your client, Mrs. DaSousa, would like to diversify her portfolio by investing in a global equity fund. What should you advise her about the foreign currency risk?
A. The fund manager can hedge the exchange risk by buying foreign currency through futures contracts

B. The value of the fund will go up if the Canadian dollar increases in value against the foreign currency
C. The foreign exchange risk will be offset by the lower liquidity risk
D. The fund may provide a hedge against the Canadian dollar
Answer: D (LEAVE A REPLY)
Global equity funds can act as a hedge against a decline in the Canadian dollar's value, increasing the investment's value in Canadian dollars if the foreign currency strengthens. The feedback from the document states:
"Global mutual funds are attractive because they can provide a hedge against a decline in the relative value of the Canadian dollar. For example: if investors buy a Japanese fund, and then the value of the Canadian dollar falls relative to the yen, the Canadian dollar value of that investment will increase even if the value of the fund's units in yen has remained unchanged."
Reference: Chapter 12 - Riskier Mutual Fund ProductsLearning Domain: Analysis of Mutual Funds

NEW QUESTION: 198
Xian-Li believes she is a sophisticated investor. She has constructed her own portfolio and has had some success. She does not believe in studying a company's details such as earnings, expenses, or assets. She is more concerned with patterns in a company's stock price over time. She believes patterns form and can be used to predict future movements in the market.
How does Xian-Li evaluate the companies in her portfolio?
A. fundamental analysis
B. flowchart analysis
C. technical analysis
D. value analysis
Answer: (SHOW ANSWER)
Technical analysis is the method of evaluating securities by analyzing the statistics generated by market activity, such as past prices and volume. Technical analysts do not attempt to measure a security's intrinsic value, but instead use charts and other tools to identify patterns that can suggest future activity. Xian-Li is using technical analysis to evaluate the companies in her portfolio.

NEW QUESTION: 199
Which financial instruments trade primarily in an auction market?
A. Equity initial public offerings
B. Mutual funds
C. ETFs
D. Bonds
Answer: (SHOW ANSWER)
Bonds are primarily traded in dealer markets (over-the-counter - OTC) rather than in organized auction exchanges like the major stock exchanges. In a dealer market, multiple dealers post

prices at which they are willing to buy or sell securities, providing liquidity and making a profit from the bid-ask spread. The U.S.
government bond market, for example, is a large over-the-counter dealer market.

NEW QUESTION: 200

Which exchange in Canada deals exclusively with financial and equity futures and options?

A. The Montreal Exchange

B. The Toronto Stock Exchange

C. Canadian Securities Exchange

D. The TSX Venture Exchange

Answer: A (LEAVE A REPLY)

The Montreal Exchange (also referred to as Bourse de Montreal) is the only Canadian exchange specializing exclusively in financial and equity futures and options. The feedback from the document confirms:

"The Montreal Exchange (Bourse de Montreal) is the only exchange in Canada that deals exclusively with financial and equity futures and options." Reference: Chapter 2 - Overview of the Canadian Financial MarketplaceLearning Domain: An Introduction to the Mutual Funds Marketplace

NEW QUESTION: 201

What personal information must be obtained from clients opening a non-registered account?

* Date of birth
* Social insurance number
* Permanent address
* Full legal name

A. 1 and 4

B. 1 and 2

C. 3 and 4

D. 2 and 3

Answer: (SHOW ANSWER)

For non-registered accounts, the mandatory personal information includes the client's full legal name and permanent address, while date of birth and social insurance number are recommended but not required. The feedback from the document states:

"The first step as a dealing representative is to obtain a client's personal data including full legal name, permanent and mailing address, social insurance number and date of birth. While a permanent address is mandatory, providing a different mailing address is optional. Neither the social insurance number nor date of birth are mandatory for non-registered accounts, but both are highly recommended." Reference: Chapter 17 - Mutual Fund Dealer RegulationLearning Domain: Ethics, Compliance and Mutual Fund Regulations

NEW QUESTION: 202

You have been researching Canadian equity mutual funds for a new client. You come across the following information.

Key indicators	Chamberlain Equity Fund	Fontaine Equity Fund
5-year Annualized Return	13.42%	11.25%
Quartile Ranking	2	3
Volatility	Medium to High	Medium to High
Management Expense Ratio (MER)	2.57%	2.90%
Portfolio Manager Start Date	January 1986	July 2004
Sharpe Ratio	0.19	0.05

What can you conclude from this information?

A. Chamberlain Equity Fund has lower volatility since its 5-year annualized return is higher.

B. Fontaine Equity Fund is a better fund because it has a higher quartile ranking.

C. Fontaine Equity Fund has a lower risk level since its Sharpe Ratio is lower.

D. Fontaine Equity Fund's higher MER contributes to its lower 5-year annualized return.

Answer: D (LEAVE A REPLY)

The management expense ratio (MER) is the percentage of a fund's assets that is paid to the fund manager for operating and managing the fund. A higher MER means that more of the fund's returns are eaten up by fees, leaving less for the investors. Therefore, Fontaine Equity Fund's higher MER of 2.99% contributes to its lower 5-year annualized return of 11.25%, compared to Chamberlain Equity Fund's MER of 2.57% and 5- year annualized return of 13.42%. Therefore, D is the correct answer. , Management Expense Ratio (MER): Definition and How It Works - Investopedia

NEW QUESTION: 203

Danica is looking for a mutual fund to hold in her non-registered account that provides a regular stream of income with potential for capital growth. She is having difficulty distinguishing between bond funds and dividend funds. Which of the following statements is TRUE?

A. The return of dividend funds relies only on interest rates; whereas with bond funds, the return also depends on the general direction of stock markets.

B. When interest rates rise, the net asset value per unit (NAVPU) of bond funds decreases; whereas with dividend funds it rises.

C. Bond funds receive fixed interest payments from most of their investments.
D. Bond fund distributions receive more favorable tax treatment than that of dividend funds.
Answer: C (LEAVE A REPLY)
C is correct because bond funds receive fixed interest payments from most of their investments, as they invest mainly in bonds and other fixed-income securities that pay a regular coupon rate. Dividend funds receive variable dividend payments from most of their investments, as they invest mainly in stocks and other equity securities that pay dividends based on the company's earnings and policies. The return of dividend funds does not rely only on interest rates (A), but also on other factors such as stock prices, earnings growth, dividend yield, and dividend payout ratio. The return of bond funds also depends on interest rates, as well as other factors such as credit quality, maturity, duration, and yield curve. When interest rates rise, the NAVPU of both bond funds and dividend funds decreases (B), not rises, as it lowers the present value of their future cash flows. Bond fund distributions do not receive more favorable tax treatment than that of dividend funds (D), but rather less favorable, as interest income is fully taxable at the investor's marginal tax rate while eligible dividends receive a dividend tax credit that reduces their taxable amount.

NEW QUESTION: 204
What type of fund offers the highest expected risk and the highest expected return in terms of the risk-return trade-off between different types of mutual funds?
A. Mortgage fund
B. Canadian Equity fund
C. Specialty fund
D. Real estate fund
Answer: C (LEAVE A REPLY)
Specialty funds, due to their focused and often speculative investments, carry the highest expected risk and return among mutual funds. The feedback from the document states: "The highest risk, highest expected return mutual fund is a specialty fund." Reference: Chapter 15 - Selecting a Mutual FundLearning Domain: Evaluating and Selecting Mutual Funds

NEW QUESTION: 205
What is the maximum yearly CESG available to a family earning $150,000 annually?
A. $600
B. $550
C. $100
D. $500
Answer: D (LEAVE A REPLY)

NEW QUESTION: 206

A fund manager is selling industrial sector stocks and using the proceeds to overweight the portfolio in financial services stocks to take advantage of her belief of changes in the business cycle. What equity investing philosophy describes this approach?

A. Growth investing

B. Momentum investing

C. Sector rotation

D. Growth at a reasonable price

Answer: C (LEAVE A REPLY)

Sector rotation is an equity investing strategy where portfolio weightings are shifted among sectors to reflect expected changes in the business cycle. The Investment Funds in Canada course explains that different sectors perform better at different economic stages. For example, financial services often outperform during economic expansion, while industrials may lag during certain cycle transitions.

The fund manager's decision to reduce exposure to industrial stocks and increase exposure to financial services based on economic expectations is a textbook example of sector rotation. Growth investing focuses on earnings expansion, momentum investing follows price trends, and growth at a reasonable price blends valuation with growth - none of which describe sector-based reallocations driven by macroeconomic analysis.

NEW QUESTION: 207

Your clients, Philip and Helen, have a disabled son, Alex, age 22. They want to set up a registered disability savings plan (RDSP) for Alex and have asked you for some information. Which statement is TRUE?

A. Philip and Helen's contributions are refundable to them.

B. There is no annual or lifetime maximum limit on contributions.

C. Alex must quality for the disability tax credit.

D. Philip and Helen's contributions are tax-deductible.

Answer: C (LEAVE A REPLY)

A registered disability savings plan (RDSP) is a savings plan intended to help parents and others save for the long-term financial security of a person who is eligible for the disability tax credit (DTC). The DTC is a non- refundable tax credit that helps persons with disabilities or their supporting persons reduce the amount of income tax they may have to pay. To be eligible for the DTC, a person must have a severe and prolonged impairment in physical or mental functions, as defined by the Income Tax Act and as certified by a medical practitioner. Therefore, Alex must qualify for the DTC in order to be eligible for an RDSP. References: What is a registered disability savings plan (RDSP) - Canada.ca, Disability tax credit - Canada.ca

NEW QUESTION: 208

What party is responsible for ensuring that a public corporation's total number of outstanding common shares does not exceed its total number of authorized shares?

A. Registrar

B. Trustee
C. Portfolio manager
D. Distributor
Answer: A (LEAVE A REPLY)
A corporation's charter specifies the maximum number of authorized shares it may issue. The Registrar (provincial securities administrator) ensures compliance so that a public corporation does not issue more shares than authorized.
Trustees oversee debt obligations.
Portfolio managers manage investments.
Distributors sell securities but do not regulate share issuance.
Thus, the responsible party is the Registrar.

NEW QUESTION: 209
While assessing the suitability of an investment recommendation as a Dealing Representative, which statement applies to the "Client's Interest First" standard?
A. Presenting a fund's historical investment performance to anticipate a mutual fund's future rate of return.
B. Clarifying for clients the costs and fees associated with mutual funds and how they impact investment performance.
C. The use of a risk-based approach when determining which mutual fund to recommend to the client.
D. Accurately document Know Your Client information (KYC) so there is evidence to support a recommendation.
Answer: (SHOW ANSWER)
The "Client's Interest First" standard requires that Dealing Representatives act in the best interest of their clients and place their clients' interests before their own or their employer's interests. This means that they must provide clear, accurate, and complete information to their clients about the mutual funds they recommend, including the costs and fees associated with them and how they affect the investment performance. Presenting a fund's historical performance to anticipate its future return is misleading and does not serve the client's interest. Using a risk-based approach to select a mutual fund is part of the suitability assessment, but it does not necessarily put the client's interest first. Accurately documenting the KYC information is important for compliance purposes, but it does not ensure that the recommendation is in the client's best interest.
Canadian Investment Funds Course, Chapter 8: Suitability and Know Your Client1

NEW QUESTION: 210
What is a common characteristic of mutual funds?
A. Each investor owns a portion of the fund's portfolio.
B. A mutual fund can only hold securities from certain companies.
C. Most mutual funds can only be purchased by sophisticated investors.

D. Investors can only purchase whole units in the fund.
Answer: A (LEAVE A REPLY)
A defining characteristic of mutual funds is that each investor owns a proportional interest in the fund's portfolio. The Investment Funds in Canada text explains that mutual funds pool investor money to purchase a diversified portfolio of securities, and each unitholder owns a fractional interest based on the number of units they hold.
Options B and C are incorrect because mutual funds are not restricted to specific companies and are widely available to retail investors. Option D is incorrect because mutual fund units are typically sold in fractional amounts, allowing precise dollar investing.
This ownership structure allows investors to benefit proportionally from income, capital gains, and losses generated by the portfolio. Therefore, Option A is the correct and fully CIFC-aligned answer.

NEW QUESTION: 211
Sylvia decided to use the savings from her bank account to purchase a 5-year bond. The face value of the bond is $10,000, the market price is $9,230 and the coupon rate is 7%.
What is the current yield on the bond? Round to 2 decimal places.
A. 7.00%
B. 7.25%
C. 7.58%
D. 7.75%
Answer: C (LEAVE A REPLY)
The current yield on a bond is the annual interest payment divided by the current market price of the bond. In this case, the annual interest payment is 7% of the face value, which is $700. The current market price of the bond is $9,230. Therefore, the current yield is:
9230700×100%=7.58%
The current yield is different from the coupon rate, which is the annual interest payment divided by the face value of the bond. The coupon rate does not change over the life of the bond, but the current yield changes as the market price of the bond fluctuates. References:
Canadian Investment Funds Course (CIFC) Study Guide, Chapter 5: Fixed-Income Securities, Section 5.2:
Bond Pricing and Yield, page 5-61
Current Yield Definition - Investopedia2

NEW QUESTION: 212

Why is it important to include ethical decision-making as a Standard of Conduct?

A. Allows the security industry to operate with the trust and confidence of the public.

B. Provides flexibility so registrants can use their own judgement.

C. Ensures conformity with externally established standards.

D. Enables CIRO to regulate the actions and behaviours of registered individuals.

Answer: A (LEAVE A REPLY)

NEW QUESTION: 213

Which information is typically included in the Letter of Engagement?

A. Client's responsibilities

B. Process for complaints

C. Investment Objective

D. Payee for deposits

Answer: (SHOW ANSWER)

The information that is typically included in the Letter of Engagement is the client's responsibilities. A Letter of Engagement is a document that formalizes the relationship between a registered firm and its client by specifying the duties, responsibilities, and level of service that both parties agree to. It also outlines the fees and charges that apply to the client's account, the scope and frequency of reporting and communication, and the process for resolving disputes or terminating the relationship. The client's responsibilities may include providing accurate and complete information, reviewing statements and reports, informing of any changes in circumstances or objectives, and complying with applicable laws and regulations. Therefore, option A is correct regarding what information is typically included in the Letter of Engagement. The other options are not correct or relevant to the Letter of Engagement. Option B is false because the process for complaints is not typically included in the Letter of Engagement; rather, it is part of the Relationship Disclosure Information (RDI) that is provided to clients at account opening and updated as necessary. Option C is false because the investment objective is not typically included in the Letter of Engagement; rather, it is part of the Know Your Client (KYC) information that is collected from clients at account opening and updated as necessary. Option D is false because the payee for deposits is not typically included in the Letter of Engagement; rather, it is part of the account documentation that specifies how clients can deposit or withdraw funds from their accounts.

References: [Letter of Engagement | IFIC], [Relationship Disclosure Information | IFIC], [Know Your Client (KYC) | IFIC]

NEW QUESTION: 214

What equity investment philosophy places greater emphasis on industry weighting than on security selection?
A. Growth at a reasonable price
B. Growth investing
C. Momentum investing
D. Sector rotation
Answer: D (LEAVE A REPLY)
Sector rotation is an investment philosophy that prioritizes weighting industries based on their expected performance during different economic cycles, placing less emphasis on individual security selection. The feedback from the document states:
"Sector rotation is a portfolio manager's attempt to profit through timing. It is based on the belief that different industries will perform well during certain stages of the economic cycle. Industries expected to outperform would be overweighted. More emphasis is placed on industry weighting than on security selection." Reference: Chapter 15 - Selecting a Mutual FundLearning Domain: Evaluating and Selecting Mutual Funds

NEW QUESTION: 215
You are collecting know your client (KYC) information for your new client, Yael. She has recently accepted an early retirement package from her employer and has $100,000 to invest. She is looking for an investment that will provide income to help pay her ongoing monthly expenses. Without this extra income, she would have trouble paying her bills. From your discussions, Yael understands that markets fluctuate and says she is comfortable with high risk. Which of the following would be a suitable investment?
A. global equity fund
B. money market fund
C. mortgage fund
D. Canadian equity index fund
Answer: C (LEAVE A REPLY)
A mortgage fund is a type of income fund that invests in mortgages and other debt instruments secured by real estate. It provides a steady stream of income to investors and has a low correlation with other asset classes. A mortgage fund is suitable for Yael because she needs income to pay her monthly expenses and is comfortable with high risk. A global equity fund, a money market fund, and a Canadian equity index fund are not suitable for Yael because they do not meet her income objective and risk tolerance.