

## **DISCUSSION GUIDE FOR MAY 2016**

### **A Deeper Look at Retirement Planning: Retirement Studies Shed Valuable Insights**

1. According to a recent Vanguard report on how America saves, what percentage of defined-contribution plans offer catch-up contributions?

- A. More than 90 percent
- B. 75 percent
- C. 28 percent
- D. Less than 17 percent

2. All of the following statements about the 2015 Aegon Retirement Readiness Survey are correct EXCEPT:

- A. The study found that 65 percent of workers who are age 55 or older envision a flexible transition into retirement.
- B. There is a disconnect between employees expecting flexible retirement alternatives and the availability of flexible retirement opportunities currently being provided by employers.
- C. Major reasons for later retirement include keeping active, career satisfaction, concerns with Social Security, and general anxieties about retirement income.
- D. The survey showed that employers who wish to be on the cutting edge of retirement should provide training so older workers can keep job skills up to date.

3. Which statement about health capacity to work at older ages is correct according to a National Bureau of Economic Research study?

- A. The central finding of the study is that there is significant additional health capacity to work longer for this generation as compared to prior generations.
- B. The study found that a woman's ability to work longer had not changed since data were first collected in 1977.
- C. The study found that workers in the top quartile of education have the smallest gains in percentage terms.

D. One statistical analysis found that men would be able to work on average an additional 2.4 years between the ages of 55 and 69 if the employment-mortality relationship that existed in 1977 were in effect today.

4. According to an Employee Benefit Research Institute article written by Fronstin, Salisbury, and VanDerhei, how much savings does a 65-year-old woman need if she wants a 90 percent chance of having enough savings for health care expenses in retirement?

A. \$140,000

B. \$124,000

C. \$89,000

D. \$68,000

5. According to a study by Munnell, Hou, and Webb, all of the following statements about the impact of student debt on retirement planning are correct EXCEPT:

A. For today's working-age households, student debt has created an additional 5 percent risk of not having adequate income in retirement.

B. The increase in student debt could delay 401(k) contributions.

C. The National Retirement Risk Index assumes paying off student loans will reduce retirement savings dollar for dollar.

D. The National Retirement Risk Index has shown that households with student debt are less likely to own a home and that the homes they do own have lower value, which will reduce available equity that can be annuitized at age 65.

6. Which statement (s) about the EBRI study on intrafamily transfers in older American households is (are) correct?

I. Approximately 40 percent of older households receive cash transfers from younger generations.

II. Approximately 5 percent of older households transfer money to children and grandchildren.

A. I only

C. Both I and II

B. II only

D. Neither I nor II

### **What Can Be Done to Combat Tax-Related Identity Theft?**

7. All of the following statements regarding tax-related identity theft are correct EXCEPT:

- A. New laws enacted in 2015 have created a strong, effective system for tackling identity theft.
- B. According to the Federal Trade Commission, tax-related identify theft was the most common form of identity theft reported in 2014.
- C. Tax-related identity theft involves a scammer filing a fraudulent tax return using a taxpayer's Social Security number to receive a fraudulent refund.
- D. The IRS is predicting a loss of \$21 billion from tax refund fraud over the course of a 5-year time span.

8. All of the following steps are recommended for taxpayers to minimize the risk of identity theft EXCEPT:

- A. Filing tax returns on or just prior to the due date.
- B. Checking credit reports regularly.
- C. Shredding important documents.
- D. Installing firewalls and antivirus protection.

9. Which statement(s) about recommendations from the working groups formed at the 2015 Security Summit is (are) correct?

- I. Several sectors have formed information sharing and assessment centers to provide secure platforms for sharing information between public and private sectors.
- II. The working groups identified over 50 data elements that can provide additional and improved capabilities for authenticating a taxpayer and tax return information to detect refund fraud.

- A. I only
- B. II only
- C. Both I and II
- D. Neither I nor II

**Recent Church Plan Litigation Could Affect Deferred-Compensation Plans**

10. All of the following statements about a 3rd Circuit Court of Appeals case called *Kaplan v. Saint Peter's Healthcare System* are correct EXCEPT:

- A. The decision is consistent with the IRS's holding in Private Letter Ruling 201612001.
- B. The case presented the question of whether a nonprofit health care corporation may establish and maintain a church pension plan if the corporation itself is controlled by or associated with a church.

C. In *Kaplan*, the court concluded that the IRS and Department of Labor have misinterpreted the statutory definition of church plan in the Internal Revenue Code and ERISA.

D. In *Kaplan*, the 3rd Circuit found that only a church can establish an exempt church plan.

11. All of the following statements about church pension plans are correct EXCEPT:

A. A 1983 IRS general counsel memorandum narrowed the ability of retirement plans to meet the ERISA definition of “church plan.”

B. Church pension plans are generally exempt from ERISA requirements, such as those involving reporting and disclosure, participation, and fiduciary responsibilities.

C. In 1974, ERISA initially defined a church plan in Section 3(33)(A) to be a plan “established and maintained . . . by a church or by a convention or association of churches.”

D. The Multiemployer Pension Plan Amendments Act amended ERISA Section 3(33) so that a church was deemed to be the employer of the employees of church-affiliated agencies that are controlled by the church.

12. Which statement(s) about the impact of the *Kaplan* case on church agency nonqualified deferred compensation (NQDC) plans is (are) correct?

I. If a church agency NQDC plan qualifies as a church plan, it can avoid involvement with ERISA requirements.

II. In cases where a church-affiliated agency’s pension plan can satisfy the requirements for being a church plan, there is no question that the church agency’s NQDC plan will meet the church plan requirements.

A. I only

C. Both I and II

B. II only

D. Neither I nor II

### **Preparing Clients for the Possibility of Cognitive Impairment: The Difficult Retirement Planning Discussion**

13. What percentage of individuals in the 65-to-74 years of age bracket will develop diseases of the brain?

A. 1.6 percent

B. 8.8 percent

C. 19.4 percent

D. 42.5 percent

14. Financial advisors should note that warning signs of serious cognition problems include all of the following EXCEPT:

A. Inability to discern colors.

B. Disorganization.

C. Decline in checkbook management.

D. Conceptual confusion.

15. Which statement(s) about financial advisors starting a conversation with their clients about possible cognitive impairment is (are) correct?

I. Advisors are encouraged to bring in family members early in the planning process because if they wait too long to get to know a spouse, partner, or adult children, they may find themselves unable to reach out to the family if they suspect cognitive impairment.

II. It makes sense to address the need to plan for possible cognitive impairment in the context of a discussion about long-term care.

A. I only

C. Both I and II

B. II only

D. Neither I nor II

16. All of the following identify tips for financial advisors in dealing with clients and cognitive impairment EXCEPT:

A. As a starting point, advisors should assume any client over age 65 has some level of cognitive impairment to avoid being caught off guard.

B. Advisors should become knowledgeable about community resources.

C. Advisors need to be aware of elder fraud and help their clients protect against it.

D. If progressive severe dementia is suspected, it is recommended that conversations between client and advisor be documented and signed.

### **Stress Testing Your Indexed Universal Life**

17. Indexed universal life was first sold in:

A. 1997

B. 1998

C. 2007

D. 2010

18. An amendment in the Dodd-Frank Wall Street Reform and Consumer Protection Act affirmed the regulation of equity-indexed annuities as:

A. Insurance products

B. Securities

C. Fixed-income products

D. Mutual funds

19. According to the author, in order for indexed universal life (IUL) to assume a more substantial and respected place in the life insurance industry, the financial service professional should do all the following EXCEPT:

A. Work with the National Association of Insurance Commissioners to improve the IUL regulatory environment.

B. Educate himself/herself with respect to the ins and outs of the product.

C. Understand the inherent shortcomings of product illustrations.

D. Take the time to explain product illustrations to his/her clients.

20. All of the following statements about indexed universal life are correct EXCEPT:

A. The Life Insurance Marketing and Research Association reported that IUL sales through the third quarter of 2015 were up 52 percent.

B. In 2014, Wink, Inc. reported total IUL sales in excess of \$1.5 billion.

C. One of the challenges associated with IUL is that its total number of moving parts makes it resistant to “spreadsheets” for purposes of product comparison.

D. Actuarial Guideline 49 placed limits on the crediting rates that can be used to calculate values in IUL illustrations.

### **Increasing the Odds of Making a Successful Roth IRA Conversion**

21. Conversions to Roth IRAs from a decedent or inherited IRAs are only permitted if inherited from a:

- A. Spouse
- B. Parent
- C. Sibling
- D. Child

22. The following taxpayers can now convert their traditional IRAs to Roth IRAs:

- A. All taxpayers.
- B. Taxpayers who are over age 59½.
- C. Married taxpayers.
- D. Taxpayers who are over age 70½.

23. In order to convert only a portion of a taxpayer's traditional IRA that contains both deductible and nondeductible contributions:

- A. The amount converted is deemed to consist of a pro rata portion of the taxable and nontaxable amounts in the IRA.
- B. The amount converted is deemed to consist of only deductible contributions.
- C. The amount converted is deemed to consist of only nondeductible contributions.
- D. The taxpayer cannot make a partial conversion.

24. The amount converted from a traditional IRA to a Roth IRA is taxable currently:

- A. To the extent of previously deducted IRA contributions and earnings.
- B. In full.
- C. To the extent of previously deducted contributions.
- D. To the extent of previously deducted 401(k) contributions.

25. Changing from a traditional IRA to a Roth IRA can be accomplished in all of the following ways EXCEPT:

- A. Taking a rollover distribution from a nonqualified retirement plan.
- B. Taking a distribution from the traditional IRA and rolling it over into a new Roth IRA.

C. Directing a trustee-to-trustee transfer from the traditional IRA to the new Roth IRA.

D. Notifying the IRA custodian/trustee/insurer to redesignate the traditional IRA as a Roth IRA.

26. According to the author, all of the following are important factors to consider under the quantitative approach to determining whether to convert a traditional IRA to a Roth IRA EXCEPT:

A. The portion of the account which consists of before-tax contributions.

B. Whether the tax is paid from the IRA itself or from outside sources.

C. The client's marginal income tax bracket at conversion and the projected marginal tax bracket at distribution.

D. The portion of the account which consists of after-tax contributions.

27. In IRS terminology, a taxpayer wishing to undo a Roth IRA conversion must:

A. Recharacterize the account back to the traditional IRA.

B. Readjust the account back to the traditional IRA.

C. Petition the IRS for a Private Letter Ruling.

D. Petition the IRS for a Technical Advice Memorandum.

28. When making a Roth IRA conversion, the most advantageous method of paying the tax on the amount being converted is:

A. Using assets from outside the fund.

B. Using funds from the IRA itself.

C. Selling appreciated assets.

D. Using a personal loan.

#### **401(k) Plans—Do Investment Options and Control of Investment Matter?**

29. All of the following statements regarding employer-sponsored retirement plans are correct EXCEPT:

A. According to Department of Labor statistics, the number of single-employer retirement plans peaked in 1995 and has been on a slight downward trend.

B. Defined-contribution plans currently account for nearly 94 percent of all employer-sponsored retirement plans.

C. 401(k) plans represent approximately 83 percent of all defined-contribution plans.

D. More than 73 percent of all participants in defined-contribution plans are covered by 401(k) plans.

30. All of the following statements identify reasons for the growth in popularity of 401(k) plans EXCEPT:

A. New laws requiring matching contributions from employers.

B. An increase in the elective deferral limits.

C. Legislative changes that enabled catch-up contributions for older workers.

D. The allowance of after-tax Roth contributions.

31. Which statement(s) about 401(k) investment options and choices is (are) correct?

I. According to the Employee Benefit Research Institute, the percentage of 401(k) plan participants' account balances allocated to equity funds decreases when they have the option to invest in guaranteed investment contracts/stable value funds.

II. Existing research shows that the more investment options available to 401(k) plan participants, the more likely their account balances will be spread over multiple funds and the more likely participants will invest in equities.

A. I only

C. Both I and II

B. II only

D. Neither I nor II

32. In 2013, what percentage of 401(k) plans were fully or partially participant directed?

A. More than 90 percent

B. More than 96 percent

C. More than 78 percent

D. More than 56 percent

33. Which statement(s) about providing plan participants with information to make informed investment decisions for their 401(k) plans is (are) correct?

I. Employers need to balance the requirement to provide information with the concern that

providing investment advice will result in being considered a fiduciary under ERISA.

II. An employer may be held responsible if it provides independent advisor services to 401(k) plan participants and the advisor breaches its fiduciary duty.

- A. Both I and II
- B. II only
- C. I only
- D. Neither I nor II

34. According to the Department of Labor in 29 CFR 2509.96-1, all of the following activities are considered investment education EXCEPT:

- A. A seminar selling session that provides free lunch or dinner to plan participants.
- B. Questionnaires, worksheets, and software which provide a plan participant with the means to estimate future retirement income needs.
- C. Information about investment alternatives under a plan, such as risk and return characteristics and historical return information.
- D. Information on general financial and investment concepts, such as diversification and dollar-cost averaging.

35. Which statement about participant-directed investments is correct?

- A. The average return on assets for plans in which participants do not control investments is 11.7 percent.
- B. The average return on assets for plans in which participants have partial or total control is 14.8 percent.
- C. The return on assets for plans in which participants have full control is 2.8 percentage points higher than that of plans in which participants have partial control.
- D. When participants have complete control over how plan assets are invested, the average participant fares better than the average participant with partial control.