

Retirement Planning for Financial Advisors
Chapter 9 Quiz

Question 1 **5 points** [Save](#)

If a plan loan is defaulted, the participant is subject to income tax and the 10 percent early distribution tax if the distribution occurs prior to age 59½.

- True
- False

Question 2 **5 points** [Save](#)

Business owners of a C corporation are ineligible to take plan loans.

- True
- False

Question 3 **5 points** [Save](#)

A 401(k) plan cannot have a loan provision.

- True
- False

Question 4 **5 points** [Save](#)

No loans are permitted from simplified employee pension (SEP) plans.

- True
- False

Question 5 **4 points** [Save](#)

Plan administrators can allow owner-employees to have sweetheart rates on their loans.

- True
- False

Question 6 **4 points** [Save](#)

The law permits a participant with a \$24,000 account balance to take a loan of \$12,000 from the plan.

- True
- False

Question 7 **4 points** [Save](#)

A participant's loan must be repayable by its terms within 5 years unless the loan is used to acquire a participant's principal residence.

- True
- False

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Question 8

4 points

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The vesting schedule is a plan design feature that specifies how much service is required before benefits become nonforfeitable.

- True
- False

Question 9

4 points

[Save](#)

Today, defined-contribution plans can have vesting schedules that require longer periods of service than defined-benefit plans.

- True
- False

Question 10

4 points

[Save](#)

Under a 5-year cliff vesting schedule, an employee is not entitled to retirement benefits until 5 years after he or she has left the employer's service.

- True
- False

Question 11

4 points

[Save](#)

Under a 7-year graded vesting schedule, the employee must be at least 60 percent vested after 5 years of service.

- True
- False

Question 12

4 points

[Save](#)

Regardless of the chosen vesting schedule, a participant must be 100 percent vested at the plan's normal retirement age.

- True
- False

Question 13

4 points

[Save](#)

Salary deferrals under a 401(k) plan can be subject to a vesting schedule.

- True
- False

Question 14

4 points

[Save](#)

Forfeitures used to reduce future employer costs are known as reallocated forfeitures.

- True

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False

Question 15 **4 points** [Save](#)

Forfeitures that are reallocated to participant accounts can exceed the 100 percent of salary or \$45,000 (as indexed for 2007) maximum defined-contribution limit.

True

False

Question 16 **4 points** [Save](#)

Years of service earned prior to age 18 can be excluded for vesting purposes.

True

False

Question 17 **4 points** [Save](#)

A one-year break in service will occur if an employee has fewer than 1,000 hours of service in a year.

True

False

Question 18 **4 points** [Save](#)

In a defined-contribution plan, if a participant has five consecutive breaks in service, the nonvested portion of the benefit earned prior to the break can be permanently forfeited.

True

False

Question 19 **4 points** [Save](#)

The choice of a retirement age should not be made solely for tax or cost reasons, but should be motivated primarily by personnel and other business priorities.

True

False

Question 20 **4 points** [Save](#)

The normal retirement age is the age specified in the plan at which the employee can retire without the employer's consent and receive full benefits under the plan.

True

False

Question 21 **4 points** [Save](#)

A plan's normal retirement age can never be greater than age 65.

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- True
- False

Question 22

4 points

[Save](#)

An employer who chooses to include a service requirement for early retirement cannot require more than 10 years of service by the employee.

- True
- False

Question 23

4 points

[Save](#)

If an early retirement benefit is subsidized, the actuarial reductions that are used do not reflect the true cost of providing the benefit, and the difference represents an increased employer cost.

- True
- False

Question 24

4 points

[Save](#)

The employer must generally allow benefits to continue accruing in a defined-benefit plan or must continue to make contributions in a defined-contribution plan if a deferred retirement is chosen.

- True
- False