

**MODULE 5**  
**RETIREMENT PLANNING**

**SAMPLE QUESTIONS**

1. The Dependents Protection Scheme (DPS) cover for a CPF member is renewed automatically every year unless a member:
  - 1) Has reached 62 years of age
  - 2) Has become physically/mentally incapacitated or passed away
  - 3) Has not paid contributions to his CPF account for a continuous period of three years
  - 4) Has instructed CPF Board not to renew his cover
  - a) (3) and (4)
  - b) (2) and (4)
  - c) (2), (3) and (4)
  - d) (1), (2), (3) and (4)
  
2. Karen wants to set aside today a capital sum to be liquidated over the next 10 years for the care of her aged mother. The desired income stream for her mother is \$20,000 beginning after one year and rising by 5% p.a. each year thereafter. Karen believes that the investment earnings on the fund will be 8% p.a. Approximately how much of her accumulated retirement capital must Karen sacrifice to provide the income stream for her mother?
  - a) \$163,000
  - b) \$172,000
  - c) \$189,000
  - d) \$202,000
  
3. A retiree is considering a fixed income product. The nominal annual interest and the effective annual rate are identical when compounding occurs:
  - a) Continuously
  - b) Annually
  - c) Daily
  - d) Monthly

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4. All the following statements concerning correlation of foreign and regional markets are correct EXCEPT:
- a) Regional markets are not as efficient as the U.S. market
  - b) There is a high correlation between HK and PRC stocks
  - c) SE Asian stocks have a low correlation with Latin America
  - d) Risk reduction through diversification cannot occur if the foreign stocks have a higher standard deviation
5. All of the following statements describe the operation of a life annuity EXCEPT:
- a) The emphasis is on the liquidation of the fund as opposed to its growth
  - b) The older the annuitant is when he or she receives the first annuity payment, the greater will be the amount of each payment
  - c) Because of the interest factor, an annuitant is assured of receiving back more than he or she paid in
  - d) The annuitant is assured that he or she cannot outlive the length of time of the annuity payments
6. If an independent financial advisor recommends a product that has a high annual expense ratio, it can be deduced that he is:
- a) Fee-based
  - b) Commissioned-based
  - c) Fee and commission-based
  - d) On a compensation structure that cannot be determined
7. You, the financial planner, are going to explain time value of money concepts to a client as part retirement planning. Which of the following statements concerning compounding or discounting is correct?
- a) Discounting is the process by which a present value grows to a larger future value
  - b) As the number of periods or the interest rate in a calculation is increased, the present value of a future sum is reduced
  - c) The term "discounting" is essentially a synonym for the term compounding
  - d) In the compounding process, the future value grows by an increasing percentage each period

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8. CPF membership is compulsory unless you are a:
- a) Part-time worker who is a Singapore citizen or permanent resident
  - b) Full-time foreign white-collar worker
  - c) Singaporean working as a domestic helper for less than 14 hours a week
  - d) NTU student on a full-time attachment with a company under an approved program
9. Which one of the following is not a recommendation of the Inter-Ministerial Committee with regards to the citizens' financial security?
- a) Overhaul the CPF system over the next 10 years
  - b) Allow CPF members to withdraw the annuities in the Retirement Account even when the official retirement age is raised
  - c) Develop more post retirement employment opportunities
  - d) Implement a strong public education program
10. Recipients for the topping-up of the Minimum Sum Scheme should be:
- a) Unemployed
  - b) Between age 55 to 64
  - c) Between age 55 and 80
  - d) Parents, children or spouses of Singaporeans and permanent residents

Answers:

1(c) 2(b) 3(b) 4(d) 5(c) 6(d) 7(b) 8(a) 9(a) 10(d)

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