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# HFE

## Award in Financial Planning (Hong Kong)

**Based on the 2023/2024 syllabus  
examined from 1 May 2023 until 30 April 2024**

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The CII Qualifications accessibility and special circumstances policy and guidance document can be viewed on the CII Rules and Policies page [www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/rules-and-policies/](http://www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/rules-and-policies/)

### Published in March 2023 by:

The Chartered Insurance Institute

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# HFE – Award in Financial Planning (Hong Kong)

Based on the 2022/2023 syllabus examined from 1 May 2023 until 30 April 2024

## Introduction

This examination guide has been produced by the Examinations Department at the Chartered Insurance Institute to assist students in their preparation for the HFE examination. It contains a specimen examination with answer key.

Ideally, students should have completed the majority of their studies before attempting the specimen examination. Students should allow themselves two hours to complete the examination. They should then review their performance to identify areas of weakness on which to concentrate the remainder of their study time.

Although the specimen examination in this guide is typical of an HFE examination, it should be noted that it is not possible to test every single aspect of the syllabus in any one particular examination. To prepare properly for the examination, candidates should make full use of the tuition options available and read as widely as possible to ensure that the whole syllabus has been covered. They should also endeavour to keep as up-to-date as possible with developments in the industry by reading the periodicals listed in the HFE reading list, which is located on the syllabus in this examination guide and on the CII website at [www.cii.co.uk](http://www.cii.co.uk).

## Background Information

CII examination questions undergo a rigorous writing and editing process before reaching an examination. The questions are written to strict guidelines by practitioners with relevant technical knowledge and experience. Questions are very carefully worded to ensure that all the information required to answer the question is provided in a clear and concise manner. They are then edited by an independent panel of experienced practitioners who have been specifically trained to ensure that questions are technically correct, clear and unambiguous. As a final check, each examination is scrutinised by the Senior Examiner and a CII assessment expert.

Occasionally a question will require amendment after the examination guide is first published. In such an event, the revised question will be published on the CII website:

- 1) Visit [www.cii.co.uk/learning/qualifications/unit-award-in-financial-planning-hong-kong-hfe/](http://www.cii.co.uk/learning/qualifications/unit-award-in-financial-planning-hong-kong-hfe/)
- 4) Select qualification update on the right hand side of the page

Candidates should also refer here for the latest information on changes to law and practice and when they will be examined.

## Syllabus

The HFE syllabus is published on the CII website at [www.cii.co.uk](http://www.cii.co.uk). **Candidates should note that the examination is based on the syllabus, rather than on any particular tuition material.** Of course, the tuition material will provide the vast majority of the information required to perform well in the examination, but the CII recommends that students consult other reference materials to supplement their studies.

Supporting information for the syllabus which contains a detailed overview of the areas covered can be found on the unit page. Select Supporting information for the 2023/2024 syllabus on the right-hand side of the page.

## Skill Specification

The examination syllabus categorises HFE learning outcomes into cognitive skill levels. Each learning outcome specifies the level of skill required of candidates and thus the level at which candidates may be tested.

The HFE syllabus requires that candidates have the ability to apply and analyse knowledge and understanding of the subject matter. Each learning outcome begins with a cognitive skill that encompasses one of the following:

- |                     |  |
|---------------------|--|
| <i>Know -</i>       | Knowledge-based questions require the candidate to recall factual information. Typically questions may ask 'What', 'When' or 'Who'. Questions set on a <i>know</i> learning outcome can only test knowledge.   |
| <i>Understand -</i> | To answer questions based on understanding, the candidate must be able to link pieces of information together in cause-and-effect relationships. Typically questions may ask 'Why'. Questions set on an <i>understand</i> learning outcome can test either knowledge or understanding or both. |
| <i>Apply -</i>      | To answer application questions, the candidate must be able to apply their knowledge and/or understanding to a given set of circumstances. Questions set on a <i>be able to apply</i> learning outcome can test knowledge and/or understanding as well as application.                         |

## Examination Information

The method of assessment for the HFE examination is 75 multiple choice questions (MCQs). 2 hours are allowed for this examination.

The HFE syllabus provided in this examination guide will be examined from 1 May 2023 until 30 April 2024.

Candidates will be examined on the basis of practice in a non-regulated environment.

The general rule is that industry changes will not be examined on earlier than 3 months after they come into effect.

When preparing for the examination, candidates should ensure that they are aware of what typically constitutes each type of product listed in the syllabus and ascertain whether the products with which they come into contact during the normal course of their work deviate from the norm, since questions in the examination test generic product knowledge.

A multiple choice question consists of a problem followed by four options, labelled A, B, C and D, from which the candidate is asked to choose the correct or best response. Each question contains only one correct response to the problem posed. One mark is awarded for each correct response identified by the candidate. No mark is awarded if the candidate chooses an incorrect response, chooses more than one response or fails to choose any response. No marks are deducted for candidates choosing an incorrect response.

If you bring a calculator into the examination room, it must be a silent battery or solar-powered non-programmable calculator. The use of electronic equipment capable of being programmed to hold alphabetic or numerical data and/or formulae is prohibited. You may use a financial or scientific calculator, provided it meets these requirements.

Candidates are permitted to make rough notes. Candidates are **not** permitted, in any circumstances, to remove any papers relating to the examination from the examination room.

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## Examination Technique: Multiple Choice Questions

The best approach to multiple choice examinations is to work methodically through the questions.

The questions are worded very carefully to ensure that all the information required is presented in a concise and clear manner. It cannot be emphasised too strongly that understanding the precise meaning of the question is vital. If candidates miss a crucial point when reading the question it could result in choosing the wrong option. Candidates should read carefully through the question and all the options before attempting to answer.

Candidates should pay particular attention to any words in the question which are emphasised in bold type, for example, **maximum**, **minimum**, **main**, **most**, **normally** and **usually**. Negative wording is further emphasised by the use of capital letters, for example **NOT**, **CANNOT**.

Candidates should not spend too much time on any one question. If they cannot make up their mind, they should leave the question and come back to it later.

When all of the questions have been answered, it is prudent to use any remaining time to go through each question again, carefully, to double-check that nothing has been missed. Altering just one incorrect response to a correct response could make the difference between passing and failing.

### Before the Examination

Before sitting the examination, please visit the preparation page on the CII website to familiarise yourself with the different requirements for sittings via remote invigilation and at an exam centre [www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/](http://www.cii.co.uk/learning/qualifications/assessment-information/before-the-exam/)

### After the Examination

Rigorous checks are made to ensure the correctness of the results issued. A pre-defined quota of passes to be awarded does not exist. If all candidates achieve a score of at least the pass mark, then all candidates will be awarded a pass grade. Individual feedback on the candidate's examination performance is automatically provided and will indicate the result achieved and, for each syllabus learning outcome, the percentage of questions in the examination that were answered correctly.

# Award in Financial Planning (Hong Kong)

## Objective

To provide knowledge and understanding of the financial planning process within a professional business environment and the core financial and life assurance products suitable to a client's needs.

Summary of learning outcomes	Number of questions in the examination*
1. The client's needs.	12
2. The fact-finding process.	14
3. Good practice.	14
4. Protection products.	11
5. Savings and investment products.	14
6. Retirement products.	10

\* The test specification has an in-built element of flexibility. It is designed to be used as a guide for study and is not a statement of actual number of questions that will appear in every exam. However, the number of questions testing each learning outcome will generally be within the range plus or minus 2 of the number indicated.

## Important notes

- Method of assessment: 75 multiple choice questions (MCQs). 2 hours are allowed for this examination.
- This syllabus will be examined from 1 May 2023 until 30 April 2024.
- The syllabus is examined on the basis of practice in a non-regulated environment.
- This PDF document is accessible through screen reader attachments to your web browser and has been designed to be read via the speechify extension available on Chrome. Speechify is an extension that is available from <https://speechify.com/>. If for accessibility reasons you require this document in an alternative format, please contact us on [online.exams@cii.co.uk](mailto:online.exams@cii.co.uk) to discuss your needs.
- Candidates should refer to the CII website for the latest information on changes to law and practice and when they will be examined:
  1. Visit [www.cii.co.uk/qualifications](http://www.cii.co.uk/qualifications)
  2. Select the appropriate qualification
  3. Select your unit from the list provided
  4. Select qualification update on the right hand side of the page

## **1. The client's needs.**

- 1.1 Explain the financial planning requirements and constraints at each of the lifestages and how these may vary with individual circumstances and available resources.
- 1.2 Apply financial planning criteria to potential needs arising in future lifestages including those of an ageing population wishing to maintain living standards.
- 1.3 Explain how a client's needs at each lifestage are determined.
- 1.4 Describe and explain when the seven typical lifestages are inappropriate to a clients' circumstances, including client's of comparable age and means or have comparable family responsibilities.
- 1.5 Describe the main steps in identifying a client's financial needs.
- 1.6 Apply the principle of shortfall calculations as part of the process of quantifying a clients' future needs.
- 1.7 Apply financial planning criteria to a client's circumstances.
- 1.8 Explain the role of the financial adviser in the financial planning process.

## **2. The fact-finding process.**

- 2.1 Describe the main elements of a fact-finding process.
- 2.2 Describe and explain the variety of ways a fact-find can be carried out.
- 2.3 Apply the principles of conducting a fact-find.
- 2.4 Describe the main client and family details to be collected in a fact-find.
- 2.5 Describe the main categories of financial details to be collected in a fact-find.
- 2.6 Describe the other planning objective categories contained in a fact-find.
- 2.7 Describe how a client's current and future financial planning needs are affected by their personal circumstances and aspirations.
- 2.8 Describe and explain the main areas of financial planning.

## **3. Good practice.**

- 3.1 Understand the regulatory framework in the Hong Kong market.
- 3.2 Explain the importance of a client understanding the implications of a financial adviser's recommendations.
- 3.3 Describe the importance of delivering positive customer outcomes, including for vulnerable customers.
- 3.4 Describe the difference between different types of financial service and advice.
- 3.5 Explain why it is essential for the status of the financial adviser and the remuneration method to be disclosed to the prospective client at the outset of the sales process.
- 3.6 Apply structured recommendations appropriate to the client.

- 3.7 Explain the supervisory methods that can be used to monitor the suitability of advice.
- 3.8 Describe the steps to be taken when the client instructs the adviser to effect a transaction which the adviser believes to be unsuitable.
- 3.9 Describe the steps a restricted adviser must take when a product that would properly meet the needs of the client is not available to the adviser.
- 3.10 Explain the duty of the adviser to ensure that all reasonable steps have been taken to obtain the best terms available in the market.
- 3.11 Describe how to conduct execution-only transactions.
- 3.12 Explain the need for client identification documents.
- 3.13 Explain when it is appropriate to switch a financial product.
- 3.14 Describe the implications of cancelling a financial product.
- 3.15 Explain the need for an effective complaints procedure.
- 3.16 Describe the main features of compensation arrangements.
- 3.17 Explain the importance of regular reviews of the client's personal and financial arrangements.

## **4. Protection products.**

- 4.1 Describe the circumstances for which there is a need for protection advice.
- 4.2 Describe the main personal and financial details on which a client's protection requirements depend.
- 4.3 Describe the policy features of protection products which affect their suitability for a client.
- 4.4 Explain how to prioritise and evaluate the significance of the features of protection products in a given set of client circumstances.
- 4.5 Explain how the tax treatment of protection products affects their suitability for a client.
- 4.6 Describe the main policy features of protection products.
- 4.7 Explain which protection products satisfy the client's needs in particular circumstances.

## **5. Savings and investment products.**

- 5.1 Describe the circumstances in which there is a need for savings and investment advice.
- 5.2 Describe the main personal and financial factors affecting choice of savings and investment products.
- 5.3 Describe the suitability factors in the choice of savings and investment products.
- 5.4 Explain how to prioritise and evaluate the significance of the features of savings and investment products to a set of client circumstances.
- 5.5 Explain how the tax treatment of savings and investment products affects their suitability for a client.
- 5.6 Describe the main features of savings and investment products.
- 5.7 Explain which savings and investment products satisfy a client's needs in particular circumstances.



- 5.8 Explain the relationship between the client's attitude to risk and the real level of return.
- 5.9 Explain how collective investments spread risk.
- 5.10 Explain how economic factors affect savings and investment products.

## 6. Retirement products.

- 6.1 Describe the circumstances in which, and when, there is a need for retirement planning.
- 6.2 Describe how to evaluate a client's retirement planning requirements.
- 6.3 Describe the main personal and financial details on which a client's retirement planning requirements depend.
- 6.4 Describe the features of retirement products in the Hong Kong market.
- 6.5 Explain how to prioritise and evaluate retirement products in the Hong Kong market.
- 6.6 Understand how to recommend suitable retirement products to meet the client's needs.
- 6.7 Explain the taxation of retirement products.
- 6.8 Explain how economic factors including interest rates affect pension schemes and annuities.
- 6.9 Explain the consequences of inadequate retirement planning.

## Reading list

The following list provides details of further reading which may assist you with your studies.

**Note: The examination will test the syllabus alone.**

The reading list is provided for guidance only and is not in itself the subject of the examination.

The resources listed here will help you keep up-to-date with developments and provide a wider coverage of syllabus topics.

### CII study texts

Award in Financial Planning (Hong Kong).  
London: CII. Study text HFE.

### Books

The process of financial planning. Chris Gilchrist. The adviser's guide series. Annual. (London, Taxbriefs).

### eBooks

The following eBooks are available via [www.cii.co.uk/elibrary](http://www.cii.co.uk/elibrary) (CII/PFS members only):

Investor behaviour: the psychology of financial planning and investing. H. Kent Baker. Hoboken, New Jersey: Wiley, 2014.

Strategic financial planning over the life-cycle: a conceptual approach to personal risk management. Narat Charupat, Moshe Ayre Milevsky, Huaxiong Huang. New York: Cambridge University Press, 2012.

Succession planning for financial advisors: building an enduring business. David Grau. New Jersey: Wiley, 2014.

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\* Also available as an eBook through eLibrary via [www.cii.co.uk/elibrary](http://www.cii.co.uk/elibrary) (CII/PFS members only).

### **Online resources**

High net worth in financial services. Brad Baker.

The regulatory framework. Simon Collins.

Recent developments in life product design. Robert Surridge

The regulation of retail investment business. Kevin Morris.

Further articles and technical bulletins are available at [www.cii.co.uk/learning/elibrary/](http://www.cii.co.uk/learning/elibrary/) (CII/PFS members only).

### **Journals and magazines**

Personal finance professional (previously Financial solutions). London: CII. Six issues a year.

### **Reference materials**

Concise encyclopedia of insurance terms. Laurence S. Silver, et al. New York: Routledge, 2010.\*

International dictionary of banking and finance. John Clark. Hoboken, New Jersey: Routledge, 2013.\*

Dictionary of insurance. C Bennett. 2nd ed. London: Pearson Education, 2004.

Harriman's financial dictionary: over 2,600 essential financial terms. Edited by Simon Briscoe and Jane Fuller. Petersfield: Harriman House, 2007.\*

Lamont's financial glossary: the definitive plain English money and investment dictionary. Barclay W Lamont. 10th ed. London: Taxbriefs, 2009.

### **Exam technique/study skills**

There are many modestly priced guides available in bookshops. You should choose one which suits your requirements.

1. What is **most likely** to be the financial planning priority of a couple who are both 30 years old and have a young daughter?
  - A. Inheritance Tax planning.
  - B. Life assurance protection.
  - C. Pension planning.
  - D. Private medical fees.
  
2. The difference between the amount of life assurance that an individual needs and the amount that she already has is known as the
  - A. amount at risk.
  - B. death benefit.
  - C. shortfall.
  - D. sum assured.
  
3. How many stages of the life cycle model will a client **typically** experience?
  - A. 5 stages.
  - B. 7 stages.
  - C. 8 stages.
  - D. 10 stages.
  
4. One of the **main** factors that will affect a client's financial needs at each life stage is the difference between
  - A. assets and liabilities.
  - B. fixed and current assets.
  - C. short-term and long-term liabilities.
  - D. tangible and intangible assets.
  
5. The financial planning priority for a young partnered couple who both work and have no children is **most likely** to be
  - A. protection against loss of income.
  - B. provision of an emergency fund.
  - C. reduction of financial liabilities.
  - D. savings and long-term investment plans.
  
6. A family with older children have some disposable income. What would **normally** be considered as their **most important** need?
  - A. Building up capital for the children.
  - B. Building up capital to pay tax liabilities on death.
  - C. Saving for education costs.
  - D. Saving for the parents' retirement.

7. The life cycle model would be **inappropriate** for a client who is
- A. unmarried.
  - B. remarrying.
  - C. adopting children.
  - D. delaying retirement.
8. A young, partnered client in pensionable employment has no life assurance and wants advice on saving for his child's education. How should his real needs be prioritised?
- A. Any life assurance provided by his employer should be considered and added to if necessary.
  - B. The education plan should be considered first as it is the client's stated need.
  - C. His pension provision should be reviewed as it may not be sufficient to meet his income needs in retirement.
  - D. Private medical insurance should be suggested as more important than an education plan.
9. An elderly client with no dependents has recently become a widow. Her immediate financial needs should be reviewed
- A. as she will need advice on protection planning.
  - B. as she will need to begin inheritance planning.
  - C. to achieve capital growth on the additional income at her disposal.
  - D. to protect her standard of living using remaining available resources.
10. A client has a need to provide for the replacement of income if she is unable to work for a long period of time due to illness. The **most appropriate** product would be
- A. accident and sickness insurance.
  - B. critical illness insurance.
  - C. income protection insurance.
  - D. private medical insurance.
11. One of the four steps in identifying a client's real financial needs is to
- A. establish her attitude to risk.
  - B. establish her employment status.
  - C. find out her medical history.
  - D. prioritise her requirements.
12. What would a financial adviser **NOT** consider when identifying a client's real financial needs?
- A. The client's current and future needs.
  - B. The adviser's level of charges.
  - C. The client's future needs only.
  - D. Prioritising the client's requirements.

13. The **primary** objective of a fact-find is to
- A. demonstrate compliance with sales regulations.
  - B. identify what needs, if any, a client has.
  - C. justify the sale of the recommended product.
  - D. quantify a client's needs.
14. During a fact-find interview, a financial adviser's questioning focuses on the client's future goals and aspirations so that
- A. future goals are considered separately from current needs.
  - B. future goals are considered alongside current needs.
  - C. future goals are given priority over current needs.
  - D. current needs are given priority over future goals.
15. In direct marketing, how is fact-finding conducted?
- A. Face-to-face only.
  - B. By post only.
  - C. By telephone only.
  - D. By post or by telephone.
16. The **main** advantage of face-to-face fact-finding is that the
- A. adviser is able to obtain a fuller understanding of the client's needs and priorities.
  - B. adviser may collect a great deal of information which could be useful in providing potential introductions to future clients.
  - C. adviser may have a better chance of overcoming any objections.
  - D. client is able to take out a policy quickly.
17. A telephone interview is appropriate when a client
- A. is unable to differentiate between perceived and real needs.
  - B. has financial needs and circumstances which have changed significantly.
  - C. knows exactly what he wants and needs to make a quick decision.
  - D. requires a full financial planning and needs analysis.
18. A financial adviser owes a client the greatest duty of care when the client is
- A. elderly.
  - B. single.
  - C. unemployed.
  - D. vulnerable.

19. A financial adviser wanting a client to confirm a simple statement of fact would ask what type of question?
- A. A detailed directive question.
  - B. A detailed open-ended question.
  - C. A concise closed-ended question.
  - D. A concise open-ended question.
20. Which category of client and family information is **NOT normally** collected on a fact-find?
- A. Client's age.
  - B. Client's current employment.
  - C. Doctor's details.
  - D. Client's state of health.
21. The benefit of fact-finding by post is that
- A. the client can complete the form in his own time.
  - B. the forms used will cover all the queries the client is likely to have.
  - C. the client will pay much lower charges.
  - D. it establishes a better relationship with the product provider.
22. Why would a financial adviser want to establish a client's attitude to risk?
- A. The risk associated with the client's occupation indicates the level of personal protection cover that should be recommended.
  - B. The risk associated with the client's pastimes and hobbies suggests the amount of dependent protection needed.
  - C. So that the client's suitability for a particular type of policy can be ascertained.
  - D. So that the gap between the client's existing protection and what is actually needed can be calculated.
23. A joint life, last survivor whole of life policy is **most likely** to be effected in connection with which **main** area of financial planning?
- A. Disability planning.
  - B. Investment planning.
  - C. Retirement planning.
  - D. Inheritance planning.

24. What eligibility factor is **likely** to influence which product a client is recommended for a protection policy?
- A. The nature of his occupation.
  - B. The normal retirement age of his occupation.
  - C. The plans and ambitions the client has for his career.
  - D. Whether he is employed or self-employed.
25. If a client wishes to effect a policy on an execution-only basis, what does this mean?
- A. The client instructs the adviser to transact business on her behalf without requesting or receiving advice.
  - B. The client is offered more favourable terms by the provider, compared to other clients.
  - C. The client receives financial advice from an intermediary, but deals directly with the provider.
  - D. The client goes directly to the provider to obtain financial advice.
26. Which type of adviser has the obligation to select the **most suitable** product for a client from only one provider's range of products?
- A. Independent financial adviser.
  - B. Multi-tied agent.
  - C. Stockbroker.
  - D. Tied agent.
27. What is the **earliest** point at which the financial advisor should confirm a client's commitment to the recommended product?
- A. After completion of the relevant product documentation.
  - B. At the presentation meeting.
  - C. Before the first anniversary date of the product's inception.
  - D. Prior to completion of the fact-find.
28. What is an appointed representative?
- A. An agent for a client with regards to a product provider.
  - B. An appointee of a client to deal with a complaint against a product provider.
  - C. An employee of a product provider who is appointed to deal with the public.
  - D. A firm tied to a product provider to sell its products.
29. Over a 12-month period, a life assurance provider issued 2,000 policies and at the end of the period 1,800 of the same policies were still in force. What is the persistency rate?
- A. 30%
  - B. 75%
  - C. 83%
  - D. 90%

- 30.** What is **best** practice when an adviser has a client who rejects his advice but asks for a product to be set up which the adviser feels is unsuitable?
- A.** Amend the needs analysis to reflect the client's wishes.
  - B.** Explain to the client why the product is unsuitable and if the client insists, ask for the client's written confirmation to proceed.
  - C.** Explain to the client why the product is unsuitable and if the client insists, refer the client to another adviser.
  - D.** Refuse to supply the product because it is unsuitable.
- 31.** What should a tied agent do if he does **NOT** have a product that meets a client's needs in his product range?
- A.** Recommend another product instead.
  - B.** Refer the client to an independent financial adviser.
  - C.** Refer the client to a product provider who offers the required product.
  - D.** Sell the client the product using a different product provider.
- 32.** With regard to professional and contractual duty, the duties of an independent financial adviser when negotiating the best terms for a client are best described as being
- A.** a professional duty to the client and a contractual duty to the company.
  - B.** a contractual duty to both the client and the company.
  - C.** a professional duty to both the client and the company, but he is independent from any contractual duty.
  - D.** a contractual duty to the client and a professional duty to the company.
- 33.** Why is it unethical for a financial adviser, who wishes to maximise his income, to encourage a client to switch policies?
- A.** It may adversely affect the client's financial position.
  - B.** New policies will always be offered on less favourable terms.
  - C.** Older policies always receive a more favourable tax treatment.
  - D.** The provider may incur costs which will be passed onto other policyholders.
- 34.** The cancellation period following the sale of a policy is to allow the transaction to be reconsidered by the
- A.** adviser only.
  - B.** client only.
  - C.** provider only.
  - D.** provider and client.



35. A client should be advised to surrender an insurance policy and replace it **only** if the
- A. adviser agrees to forego the commission.
  - B. new amount of cover is higher.
  - C. new premium is lower.
  - D. new product is entirely appropriate for the client's needs.
36. At what stage in the sales process should the key features of a product **normally** be explained to the client?
- A. Before any advice is given.
  - B. During the fact-find interview.
  - C. At the presentation of the recommendations.
  - D. With the product documentation after the sale is completed.
37. A new client is unable to establish his identity to the satisfaction of his financial adviser. An appropriate course of action for the financial adviser to take is to insist on seeing the client's passport
- A. before agreeing to complete a financial transaction.
  - B. before the annual review meeting.
  - C. before the expiry of any policy cooling-off period.
  - D. immediately after completing a financial transaction.
38. What should an adviser do when a client wants a transaction to be conducted but does **NOT** want to receive any advice?
- A. Always refer the transaction to a supervisor.
  - B. Ask the client to deal directly with the product provider.
  - C. Decline to handle the transaction unless the client accepts some advice.
  - D. Handle the transaction, but record in writing that no advice was sought or given.
39. The financial consequences of what circumstance can be insured under a term assurance policy?
- A. Death.
  - B. Disability.
  - C. Long-term illness.
  - D. Retirement.
40. The term of a family income benefit policy should be set to the time the
- A. youngest child reaches financial independence.
  - B. oldest child reaches financial independence.
  - C. life assured reaches age 60 only.
  - D. life assured reaches age 65 only.

41. What is the **main** factor affecting the suitability of a protection product with no investment element?
- A. Financial strength of the provider.
  - B. Level of premium.
  - C. Past investment performance.
  - D. Surrender value.
42. A self-employed client needs income protection insurance and prioritises the best possible cover over the cost of the policy. A financial adviser should recommend a deferred period of
- A. 4 weeks.
  - B. 13 weeks.
  - C. 26 weeks.
  - D. 52 weeks.
43. A financial adviser's recommendation of a suitable private medical insurance policy to a client should **mainly** be dependent on the product's
- A. benefits and limitations.
  - B. capital growth potential.
  - C. past investment performance.
  - D. surrender value.
44. Why is a financial adviser **most likely** to recommend a protection product, which receives tax relief on the premiums rather than one that does **NOT**?
- A. Cancellation rules will be more flexible.
  - B. The cost of cover will be lower.
  - C. Guaranteed benefits will be higher.
  - D. Policy options will be more attractive.
45. The **most suitable** type of product to maintain repayments on a loan in the event of long-term disability is
- A. critical illness insurance.
  - B. income protection insurance.
  - C. life assurance.
  - D. long-term care insurance.

46. A partnered couple wish to protect their child's annual school fees over the next eight years against death of the main wage earner. Which product is the **most** economical for meeting this need?
- A. Family income benefit policy.
  - B. Level term assurance policy.
  - C. Low-cost endowment policy.
  - D. Whole of life insurance policy.
47. A critical illness policy will **typically** provide a
- A. lump sum payable on the diagnosis of certain specified diseases.
  - B. lump sum payable for private hospital treatment of any disease or illness.
  - C. regular income after an illness has lasted for a specified period of time.
  - D. regular income during periods of short-term illness.
48. A woman in a partnership requires protection for her family, but also wants the policy to be flexible enough to be used for inheritance planning as the family grows up. What type of policy should **normally** be recommended?
- A. An endowment policy.
  - B. A family income benefit policy.
  - C. A level term assurance policy.
  - D. A whole of life policy.
49. A client requires the cheapest form of life assurance to protect a repayment loan against his death. Which type of policy **best** suits the client's needs?
- A. A convertible term assurance policy.
  - B. A decreasing term assurance policy.
  - C. A renewable term assurance policy.
  - D. A level term assurance policy.
50. What is generally the **most common** reason for saving money by those people without accumulated capital?
- A. To build an emergency fund.
  - B. To pay for a child's wedding.
  - C. To provide for a child's education.
  - D. To set up or invest in a business.

51. A **main** factor **NOT** affecting a client's savings and investment needs is
- A. any inheritances expected.
  - B. existing assets and liabilities.
  - C. her current rate of taxation.
  - D. her available disposable income.
52. A client seeking a low level of capital risk should be advised to purchase
- A. company shares.
  - B. Government stocks.
  - C. investment trusts.
  - D. unit trusts.
53. A client has recently sold his main home and requires investment advice for his capital over the short to medium term. He may find the house he wants to buy at any time. What factor would be **most important** when deciding on a suitable product?
- A. Accessibility of capital.
  - B. Charging and commission structure.
  - C. Income and capital growth prospects.
  - D. Past investment performance.
54. The bid-offer spread of an investment product is an indication of
- A. the initial period for which the investment should be held before showing a profit.
  - B. part of the cost of investing in that product.
  - C. the past performance of the investment.
  - D. the rate of growth which has been assumed for quotation purposes.
55. When advising a client on saving, what consideration, if any, should **normally** be given to available tax concessions?
- A. Future tax concessions should be considered before immediate ones.
  - B. Tax concessions should always take precedence over other product features.
  - C. Tax concessions should be considered along with other product features.
  - D. Tax concessions should not be considered as part of the product's suitability.
56. What feature do the different types of government bonds share?
- A. A fixed redemption date.
  - B. A fixed interest rate.
  - C. An index-linked income.
  - D. No penalties for early withdrawal.

57. What type of annuity is **normally** used to secure an income for a fixed term of years?
- A. A deferred annuity.
  - B. A guaranteed annuity.
  - C. A purchased life annuity.
  - D. A temporary annuity.
58. What type of investment should be recommended to a client wishing to participate in the current and future growth in the profits of a company?
- A. Corporate loan stock.
  - B. Debentures.
  - C. Ordinary shares.
  - D. Preference shares.
59. A client is purchasing an annuity, but wants to ensure that the annuity pays back at least what was invested. What type of annuity would be **most appropriate**?
- A. A capital protected annuity.
  - B. A deferred annuity.
  - C. An escalating annuity.
  - D. A guaranteed annuity.
60. Products which achieve higher than average returns **usually** have higher than average
- A. charges.
  - B. premiums.
  - C. risk.
  - D. security.
61. Which investment spreads the risk over different shareholdings managed by full-time investment managers?
- A. Gilts.
  - B. Equities.
  - C. Investment trusts.
  - D. Preference shares.
62. How does a high rate of inflation affect the performance of non index-linked investment products?
- A. It increases the rate of growth of the investment fund.
  - B. It increases the real rate of return on the investment.
  - C. It reduces the rate of growth of the investment fund.
  - D. It reduces the real rate of return on the investment.

63. In what circumstances would an investor get a real rate of return on their deposit-based savings?
- A. When inflation exceeds interest rates.
  - B. When inflation exceeds stock market performance.
  - C. When interest rates exceed inflation.
  - D. When stock market performance exceeds inflation.
64. How, if at all, does an increase in interest rates affect the **real** returns of a fixed-rate investment?
- A. The real returns are increased.
  - B. The real returns are not directly affected.
  - C. The real returns are reduced.
  - D. The real returns may increase or decrease.
65. What existing assets should be included when evaluating a client's income requirements in retirement?
- A. Only capital assets should be included.
  - B. Only income-producing assets should be included.
  - C. Only pension products should be included.
  - D. All income and capital assets that can be converted to pension should be included.
66. Which factor is **NOT** considered when evaluating a client's individual retirement needs?
- A. Age.
  - B. Annuity rates.
  - C. Dependants.
  - D. Income.
67. When advising an individual, why would charges and commission be considered as more important in the selection process of a private retirement plan than that of an occupational pension scheme?
- A. Charges have a lesser effect on the overall benefits of an occupational scheme.
  - B. Charges tend to be lower for a private retirement plan.
  - C. Commission can be a very high proportion of the costs of an occupational scheme.
  - D. It might greatly reduce the total retirement return.

68. A high earner wishes to retire in three years' time. She is considering investing a lump sum into a retirement plan. The tax concession that would be **most likely** to appeal to her would be
- A. the pension taxed as earned income.
  - B. the tax-free build-up of the fund.
  - C. tax-free cash at retirement.
  - D. tax relief on the contribution.
69. What will be the **main** factor for a client to consider when taking out a private retirement plan?
- A. Internal Rate of Return.
  - B. Minimum acceptable age.
  - C. Premium level.
  - D. Premium payment period.
70. Mandatory Provident Fund (MPF) schemes are
- A. privately managed, contributed fund schemes.
  - B. privately managed, unfunded schemes.
  - C. publicly managed, contributed fund schemes.
  - D. publicly managed, unfunded schemes.
71. What type of occupational pension scheme requires the members to pay for part of the cost of benefits?
- A. Contributory.
  - B. Funded.
  - C. Non-contributory.
  - D. Unfunded.
72. A client frequently changes jobs and works on permanent, temporary and fixed-term contracts. What type of retirement product would be **most suitable**?
- A. A deferred annuity.
  - B. An immediate annuity.
  - C. An investment-linked insurance scheme.
  - D. An unfunded occupational pension scheme.
73. A couple wishes to retire in one year's time. They have HK\$2,000,000 in the bank and would like to receive a regular income stream paid with some interest until death. What type of retirement product should they consider?
- A. An immediate annuity.
  - B. An investment-linked annuity.
  - C. A non-profit deferred annuity.
  - D. A with-profits deferred annuity.

74. A company has enjoyed a profitable year and wishes to provide occupational pension scheme benefits for its employees, but does **NOT** have a scale of operation. What type of scheme is **most suitable**?
- A. A defined benefit occupational pension scheme.
  - B. An employer-sponsored pension scheme.
  - C. An industry specific occupational pension scheme.
  - D. An unfunded occupational pension scheme.
75. A Qualifying Deferred Annuity Policy **CANNOT**
- A. be certified.
  - B. be provided by the Government.
  - C. provide guaranteed and non-guaranteed income.
  - D. provide a tax concession of up to a maximum of HK\$60,000 per assessment year.



## Specimen Examination Answers and Learning Outcomes Covered

Question	Answer	Learning Outcome	Question	Answer	Learning Outcome	Question	Answer	Learning Outcome
Learning Outcome 1			Learning Outcome 4			Learning Outcome 6		
1	B	1.1	39	A	4.1	65	D	6.2
2	C	1.6	40	A	4.7	66	B	6.2
3	B	1.1	41	B	4.3	67	D	6.4
4	A	1.3	42	A	4.3	68	D	6.6
5	B	1.1	43	A	4.4	69	A	6.4
6	D	1.1	44	B	4.5	70	A	6.4
7	A	1.4	45	B	4.6	71	A	6.7
8	A	1.7	46	A	4.7	72	A	6.5
9	D	1.5	47	A	4.6	73	A	6.5
10	C	1.4	48	D	4.7	74	C	6.4
11	D	1.5	49	B	4.7	75	B	6.4
12	B	1.8	11 Questions			11 Questions		
12 Questions								
			Learning Outcome 5					
Learning Outcome 2			50	A	5.2			
13	B	2.1	51	C	5.2			
14	B	2.1	52	B	5.3			
15	D	2.2	53	A	5.4			
16	A	2.2	54	B	5.6			
17	C	2.2	55	C	5.5			
18	D	2.7	56	D	5.6			
19	C	2.3	57	D	5.6			
20	C	2.4	58	C	5.7			
21	A	2.2	59	A	5.7			
22	C	2.7	60	C	5.8			
23	D	2.8	61	C	5.6			
24	A	2.7	62	D	5.10			
12 Questions			63	C	5.10			
			64	C	5.10			
Learning Outcome 3			15 Questions					
25	A	3.4						
26	D	3.4						
27	B	3.6						
28	D	3.4						
29	D	3.7						
30	B	3.8						
31	B	3.9						
32	D	3.10						
33	A	3.13						
34	B	3.14						
35	D	3.14						
36	C	3.6						
37	A	3.12						
38	D	3.11						
14 Questions								