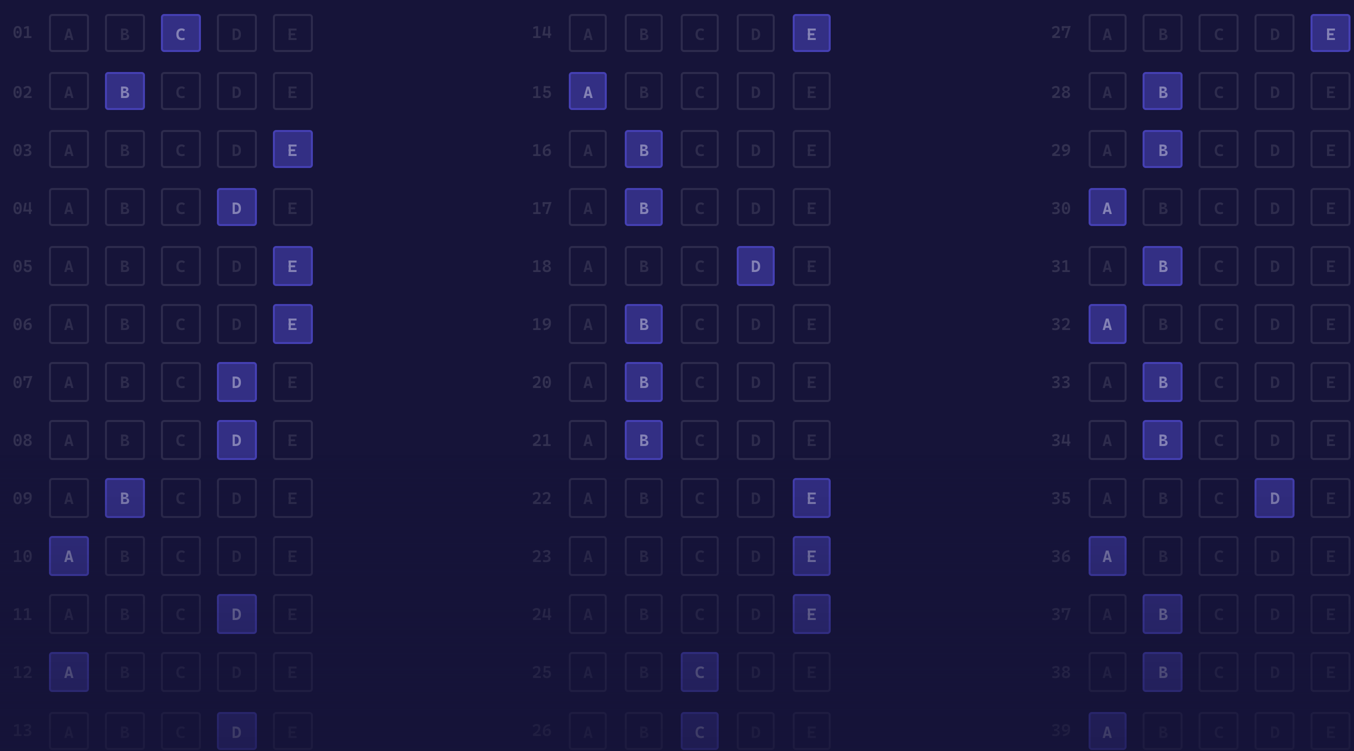

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PRACTICE QUESTIONS

## International Foundation for Retirement Education (INFRE)

# CRC

Certified Retirement Counselor Examination

| EDITION | QUESTIONS | FORMAT |
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# Before you begin

## What this is

9 practice questions for International Foundation for Retirement Education (INFRE) `CRC`, each with its answer key and an explanation. Answer a question before you read its key — the explanation is worth more once you have committed.

## If something looks wrong

Send us three things and we will check it:

- the exam code, `CRC`
- the question number
- the email address on your order

Write to **support@mometrix.net**. We reply within one business day.

QUESTION 1 SINGLE CHOICE

Which of the following best describes the concept of "active retirement" as it is generally used in contemporary retirement planning literature?

A A period in which retirees focus exclusively on leisure travel and disengage from any form of paid work or volunteering.

B **A retirement phase in which individuals remain engaged in paid employment, part-time work, consulting, volunteering, or entrepreneurial activity by choice.**

C A retirement arrangement in which benefits are deferred from the traditional age of 65 to age 70½ to maximize Social Security.

D A mandatory retirement policy under ERISA that requires plan participants to begin distributions at age 70½.

ANSWER **B**

WHY Active retirement refers to retirees who choose to remain engaged through paid work, consulting, volunteering, or entrepreneurship rather than fully disengaging. Options A and C misrepresent the concept, and Option D confuses active retirement with the IRS required beginning date for minimum distributions.

**QUESTION 2** SINGLE CHOICE

A counselor is working with a client whose spouse has recently died. Which Social Security survivor benefit rule applies to a surviving spouse who is at full retirement age (FRA)?

- A The surviving spouse receives 50% of the deceased worker's primary insurance amount (PIA).
- B The surviving spouse receives 75% of the deceased worker's primary insurance amount (PIA).
- C **The surviving spouse receives 100% of the deceased worker's primary insurance amount (PIA).**
- D The surviving spouse receives no benefit unless the deceased had filed for benefits at least 12 months before death.

**ANSWER** C

**WHY** A surviving spouse at FRA generally receives 100% of the deceased worker's PIA. Reduced percentages apply only when the survivor begins benefits before FRA. Option A reflects the spousal (not survivor) benefit; Option B is not a standard SSA figure; and Option D is incorrect because eligibility does not depend on the deceased having filed for 12 months.



**QUESTION 3** SINGLE CHOICE

Under U.S. federal tax rules for qualified retirement plans, which type of contribution is made with after-tax dollars and grows tax-deferred until withdrawal?

- A A traditional (pre-tax) salary deferral under a 401(k) plan.
- B **A Roth 401(k) elective deferral.**
- C An employer matching contribution under a 401(k) plan.
- D A required minimum distribution (RMD) from a traditional IRA.

**ANSWER** B

**WHY** Roth 401(k) elective deferrals are made with after-tax dollars; earnings grow tax-deferred and qualified distributions are tax-free. Traditional 401(k) deferrals and employer matches are pre-tax, and an RMD is a distribution event, not a contribution.

**QUESTION 4** SINGLE CHOICE

Which of the following statements about the spousal consent requirement for benefit distributions from a qualified retirement plan is correct under ERISA and the Internal Revenue Code?

A. Spousal consent is required for every distribution, including those taken at age 59½.

**B. Spousal consent is required only if the participant elects a single life annuity or a form of benefit that does not provide a survivor annuity, and the spouse must consent in writing.**

C. Spousal consent is optional and determined entirely by the plan administrator's discretion.

D. Spousal consent applies only to defined benefit plans and never to defined contribution plans.

**ANSWER** **B**

**WHY** ERISA and the IRC require spousal consent when the participant chooses a benefit form that is not a qualified joint and survivor annuity (QJSA) or that waives the qualified preretirement survivor annuity (QPSA). The spouse's consent must be in writing and witnessed by a plan representative or notary.

**QUESTION 5** SINGLE CHOICE

If a client delays claiming Social Security retirement benefits past full retirement age (FRA) until age 70, what is the effect on the monthly primary insurance amount?

A. The benefit is permanently reduced by 8% per year of delay.

**B. The benefit is increased by a guaranteed 8% per year of delay (delayed retirement credits) up to age 70.**

C. The benefit is frozen at the FRA amount with no adjustment.

D. The benefit is recalculated annually based on the consumer price index.

**ANSWER** **B**

**WHY** Social Security provides delayed retirement credits of 8% per year for each year benefits are delayed past FRA up to age 70. Delaying beyond 70 yields no additional increase. The 8% reduction option (Option A) is incorrect because that figure applies to early retirement reductions, not delayed credits.

**QUESTION 6** SINGLE CHOICE

In the traditional retirement income planning "bucket strategy," which asset class is most commonly held in the short-term bucket designed to fund expenses during the first five years of retirement?

- A Small-cap growth equities
- B High-yield corporate bonds
- C **Cash and short-term, high-quality fixed-income instruments**
- D Long-duration Treasury bonds and zero-coupon bonds maturing beyond 20 years

**ANSWER** **C**

**WHY** The first bucket is typically funded with cash and short-duration, high-quality bonds to provide stability and immediate liquidity, protecting the other buckets from being forced to sell in a downturn. Equities, long-duration bonds, and high-yield bonds carry volatility risk inappropriate for the near-term bucket.

**QUESTION 7** SINGLE CHOICE

Which of the following is the most accurate definition of a "retirement income replacement ratio"?

- A The percentage of pre-retirement assets that must be annuitized at retirement.
- B **The ratio of retirement income to pre-retirement income, expressed as a percentage.**
- C The ratio of the client's net worth at retirement to the client's projected Social Security benefits.
- D The percentage of pre-retirement salary that the employer must contribute to the qualified plan.

**ANSWER** **B**

**WHY** The replacement ratio compares retirement income (from Social Security, pensions, and personal savings) to pre-retirement gross income. Common targets cited in retirement literature are roughly 70-80%, though the appropriate level depends on the client's circumstances.

**QUESTION 8** SINGLE CHOICE

A client insists on selling all equity holdings after a sharp market downturn and moving the proceeds to a money market account, even though the long-term plan calls for a 60% equity allocation. Which behavioral finance concept best describes this client reaction?

- A Endowment effect
- **B Loss aversion**
- C Status quo bias
- D Anchoring

**ANSWER** B

**WHY** Loss aversion, identified by Kahneman and Tversky, causes investors to feel losses more acutely than equivalent gains, prompting them to abandon a long-term strategy in response to short-term declines. Endowment bias relates to overvaluing what one already owns; status quo bias is a preference for inaction; anchoring is overreliance on a specific reference point.



**QUESTION 9** MULTIPLE CHOICE

Which of the following are generally considered components of a basic estate plan? (Choose two.)

- **A A last will and testament or revocable living trust directing asset distribution at death.**
- **B A durable power of attorney for finances and a healthcare power of attorney/living will for incapacity.**
- C An employer-sponsored 401(k) salary deferral election form.
- D A short-term disability income policy covering accidents only.

**ANSWER** A · B

**WHY** A basic estate plan typically includes a will or revocable living trust to direct distribution at death, plus incapacity documents (durable financial power of attorney and healthcare directives). A 401(k) deferral election is an employment benefit election, not an estate-planning tool, and a disability income policy is an income-protection product rather than an estate-planning component.