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PRACTICE QUESTIONS

IDFA - The Institute for Divorce Financial Analysts

UCDFA

US CDFA

EDITION	QUESTIONS	FORMAT
Demo	9	Limited Edition PDF

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Before you begin

What this is

9 practice questions for IDFA - The Institute for Divorce Financial Analysts `UCDFA`, 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, `UCDFA`
- the question number
- the email address on your order

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

QUESTION 1 MULTIPLE CHOICE

Which of the following are primary responsibilities of a CDFA when working with a divorcing client? (Choose two.)

A Providing legal advice on divorce settlements and custody arrangements

B Analyzing the short- and long-term financial impact of a proposed settlement

C Representing the client in court proceedings

D Identifying tax implications and hidden costs associated with asset division

ANSWER **B · D**

WHY A CDFA's primary role is financial analysis, not legal representation or advice. Option B is correct because CDFAs analyze the present and future financial impact of settlement options. Option D is correct because identifying tax consequences and hidden costs (such as penalties on retirement accounts) is a core analytical function. Options A and C describe roles reserved for attorneys, not financial analysts.

QUESTION 2 MULTIPLE CHOICE

When evaluating the division of marital assets, which factors should a CDFA consider in a fair-value analysis? (Choose two.)

A The fair market value and the after-tax value of each asset

B The sentimental value the client attaches to each asset

C The liquidity and accessibility of each asset

D Which spouse originally contributed to acquiring the asset

ANSWER **A · C**

WHY Option A is correct because both gross fair market value and after-tax value matter; an asset worth $1 million on paper may yield far less after taxes and selling costs. Option C is correct because liquidity affects a client's ability to meet living expenses and obligations post-divorce. Sentimental value (B) is personal, not financial, and original contribution (D) is a legal determination, not a financial analysis function.

QUESTION 3 SINGLE CHOICE

Under current U.S. federal tax law, how is alimony treated for divorces executed after December 31, 2018?

A Alimony payments are deductible by the payor and includible as income to the recipient

B Alimony payments are neither deductible by the payor nor includible as income to the recipient

C Alimony payments are deductible by the payor only if specified in the settlement agreement

D Alimony payments are includible as income to the recipient only when payments exceed $25,000 per year

ANSWER B

WHY The Tax Cuts and Jobs Act of 2017 changed the federal tax treatment of alimony for divorce or separation agreements executed after December 31, 2018. For these post-2018 agreements, alimony is not deductible by the payor and is not considered taxable income to the recipient. This is a key tax consideration the CDFA must understand when modeling long-term cash flow for a client.

QUESTION 4 SINGLE CHOICE

What is the primary purpose of a Qualified Domestic Relations Order (QDRO) in a divorce?

A To divide qualified retirement plan assets between divorcing spouses without triggering early withdrawal penalties

B To convert a traditional IRA into a Roth IRA as part of the settlement

C To determine whether Social Security benefits are divisible as marital property

D To waive the 10% early withdrawal penalty on all retirement distributions

ANSWER A

WHY A QDRO is a court order that recognizes the right of an alternate payee (typically the non-participant spouse) to receive a portion of qualified plan benefits. It permits division of those plan assets incident to divorce without triggering the early withdrawal penalty or immediate income tax to the participant. A QDRO does not apply to IRAs (which use a separate process), does not govern Social Security, and does not waive penalties broadly.

QUESTION 5 SINGLE CHOICE

In most U.S. states, which of the following best describes the primary basis for determining child support amounts?

A. A percentage of the custodial parent's gross income only

B. **State-specific guidelines that typically consider both parents' incomes, the number of children, and time spent with each parent**

C. A flat federal rate determined by the number of children

D. The marital standard of living established during the marriage

ANSWER B

WHY Child support is governed by state law, not federal law, and there is no single flat federal rate. Most states apply guidelines (such as the Income Shares Model or Percentage of Income Model) that factor in both parents' incomes, the number of children, custody arrangement, and sometimes childcare or healthcare costs. The CDFA must understand these guidelines because they directly affect post-divorce cash flow projections.

QUESTION 6 SINGLE CHOICE

Generally, which of the following is classified as separate property in a divorce?

A. Income earned by either spouse during the marriage

B. Retirement contributions made during the marriage

C. **An inheritance received by one spouse and kept separately during the marriage**

D. Real estate purchased by either spouse during the marriage

ANSWER C

WHY Property brought into the marriage, inheritances received by one spouse, and gifts received by one spouse are typically classified as separate property, provided they have not been commingled with marital assets. Income earned during the marriage (A), retirement contributions during the marriage (B), and real estate purchased during the marriage (D) are generally considered marital property subject to division. The CDFA must trace and distinguish these categories accurately when valuing the estate.

QUESTION 7 SINGLE CHOICE

When developing a post-divorce budget for a client, what is the most important first step a CDFA should take?

A Project investment returns on remaining assets

B Document the client's current monthly income and essential living expenses

C Recommend a new portfolio allocation strategy

D Calculate the present value of future support payments

ANSWER B

WHY A realistic post-divorce budget must begin with an accurate snapshot of current income and essential expenses. Without this baseline, projections of investment returns, asset allocation, or the present value of support payments cannot be meaningfully evaluated against actual needs. Investment strategy and present-value calculations come later, built on top of this foundation.

QUESTION 8 SINGLE CHOICE

A client holds unvested stock options granted during the marriage. Which valuation issue should the CDFA most likely flag for the client and the legal team?

A Unvested options always have zero marital value

B Unvested options are always fully divisible as marital property regardless of vesting

C The marital portion must typically be determined based on the time between grant and vesting while employed during the marriage

D Unvested options are exempt from division because they are not yet income

ANSWER C

WHY Unvested stock options are not automatically excluded or fully included as marital property. Courts and CDFAs generally apply a formula (such as the time-rule) that apportions the options based on the portion of the vesting period that occurred during the marriage while the employee spouse was married. The CDFA's role is to model these scenarios, including valuation discounts for the probability of vesting and forfeiture.

QUESTION 9 SINGLE CHOICE

What is the primary purpose of a financial affidavit in a divorce proceeding?

A To serve as a legally binding settlement agreement between the parties

B To provide a sworn, written disclosure of each party's income, expenses, assets, and liabilities

C To replace the need for a CDFA's analysis

D To determine child custody arrangements

ANSWER **B**

WHY A financial affidavit is a sworn statement of a party's income, expenses, assets, and liabilities used by the court and the parties to evaluate financial positions, support obligations, and equitable distribution. It is not the settlement itself (A), does not replace professional analysis (C), and is unrelated to custody decisions (D). The CDFA relies on these affidavits and verifies the data when performing settlement analyses.