

**Discussion Guide**  
**September 2016**

**Considering Moving Abroad? Examining the Tax Implications before Finalizing Your Decision**

1. What is the 2016 threshold amount of foreign earned income that can be excluded by an expatriate who has a full-time residence abroad?
  - A. \$101,300
  - B. \$10,300
  - C. \$110,600
  - D. \$210,600
  
2. All of the following statements about the foreign earned income exclusion are correct EXCEPT:
  - A. The foreign earned income exclusion doubles for a married couple filing jointly as long as both spouses meet the requirements for the exclusion.
  - B. The foreign earned income exclusion is automatically applied by the IRS.
  - C. If only one spouse has foreign earned income, only one exclusion is available regardless of the amount of income earned.
  - D. Community-property rules are ignored for purposes of determining the exclusion.
  
3. Corinne, a single U.S. citizen, is relocated to Germany on April 20, 2016, for a two-year term. She earned \$150,000 while living and working in Germany in 2016 and \$30,000 in the United States before her move. Corinne paid \$40,000 in foreign taxes. What is the maximum amount of foreign income Corinne will be able to exclude?
  - A. \$101,300
  - B. Corinne is unable to exclude any foreign income because she was present in Germany for only 256 days.
  - C. \$79,145

D. \$70,855

4. Corinne, a single U.S. citizen, is relocated to Germany on April 20, 2016, for a two-year term. She earned \$150,000 while living and working in Germany in 2016 and \$30,000 in the United States before her move. Corinne paid \$40,000 in foreign taxes. All of the following statements regarding Corinne's tax situation are correct EXCEPT:

A. If Corinne uses the foreign tax credit approach when filing her taxes, her U.S. tax before the credit is applied would be \$43,437, and her U.S. tax after the credit is applied would be \$7,239.

B. Using the foreign earned income exclusion method, Corinne's U.S. tax is \$23,597.

C. If Corrine uses the foreign tax credit method, her total taxable income is \$180,000.

D. Corinne's U.S. tax would be \$2,492 if she uses a combination of both the foreign tax credit method and the foreign earned income exclusion method.

### **Where Ethics Intersects the Fiduciary Duty**

5. All of the following statements about the imposition of fiduciary duties are correct EXCEPT:

A. The Investment Advisers Act of 1940 was the first to impose a fiduciary duty on those providing investment advice.

B. ERISA placed very specific fiduciary duties on those providing financial advice to employer-sponsored retirement plans.

C. The Dodd-Frank Wall Street Reform and Consumer Protection Act imposed a new, higher standard of care for registered representatives over the standards required for registered investment advisors.

D. The DOL finalized rules expanding the definition of fiduciary duties in April 2016.

6. All of the following statements identify considerations for financial advisors under the DOL's new fiduciary rules EXCEPT:

A. The need to put in writing the process of bringing forth suitable options for client.

B. The need annually to report professional activities to the SEC.

C. The need to explain and disclose their compensation.

D. The need to help the client determine his or her best interest based on suitable options and explanations that allow for an informed decision.

7. Which statement(s) about fiduciary standards is (are) correct?

- I. The Merrill Lynch Rule creates a clear exemption to the new DOL fiduciary rules.
  - II. One of the chief factors that seems to make the fiduciary rule complicated is the existence of advice intersecting with the sale of different products and different sales methods.
- A. I only                                      C. Both I and II  
B. II only                                      D. Neither I nor II

**Reexamining the Application of Internal Revenue Code Section 409A to Stock Rights**

8. All of the following statements about IRC Section 409A are correct EXCEPT:
- A. Section 409A and related regulations impose significant adverse tax consequences on employees who are covered by noncompliant deferred-compensation plans.
  - B. If a nonqualified deferred-compensation plan fails to meet Section 409A requirements, a plan participant/employee is subject to a 10 percent excise tax on taxable deferred compensation.
  - C. The drafters of Section 409A made it clear that 409A was not intended to cover grants of nonstatutory stock options for which the exercise price could never be less than the fair market value of the underlying stock at the date the option is granted.
  - D. The Section 409A regulations applied the requirements of Section 409A to a stock-appreciation right when it is issued at a discount.
9. In what year were final IRC Section 409A regulations issued by the IRS and Treasury Department?
- A. 2005
  - B. 2006
  - C. 2007
  - D. 2013
10. Which statement(s) about IRS Notice 2005-1 is (are) correct?
- I. In Q&A-7 of Notice 2005-1, the IRS stated that the application of IRC Section 409A was not limited to arrangements between an employer and employee.
  - II. Notice 2005-1 provides that IRC Section 409A rules governing stock-based compensation could be applied by analogy to grants of equity-based compensation in which the compensation is determined by reference to a partnership interest.

- A. I only
- B. II only
- C. Both I and II
- D. Neither I nor II

11. All of the following identify elements that are needed to qualify for the stock rights exemption under IRC Section 409A EXCEPT:

- A. The organizational form of the entity granting the stock rights.
- B. The form of the stock rights that are being granted.
- C. The design of the stock rights plan.
- D. The value of the stock rights in comparison as a percentage of the employee's overall compensation.

12. All of the following statements regarding determining the fair market value of a stock right for purposes of the Section 409A rules are correct EXCEPT:

- A. Using acceptable valuation methodologies is a very important element of the stock rights exemption.
- B. The rules specifically prohibit use of the average selling price method of valuation.
- C. For publicly traded stock, the fair market value can be determined based on the last sale before or the first sale after the grant of the stock right.
- D. The guidance provided on determining the fair market value of a stock right applies to private companies and publicly traded companies.

### **Shocks and Loss in Retirement: Preventing Despair, Promoting Resilience**

13. All of the following statements regarding shocks that occur in retirement are correct EXCEPT:

- A. The death of a spouse, especially for men, can cause a financial setback.
- B. Bias against hiring older workers, changes in technology, and the economic recession resulted in job-loss shock for many who planned to work longer to build up a 401(k) balance and other savings.
- C. A study by the Society of Actuaries confirmed that most people experience one or two financial shocks in retirement.
- D. A chronic or catastrophic health event can cause shock even for retirees who have planned well.

14. According to U.S. Census Bureau data, how many children are being raised by their grandparents?

- A. 6.2 million
- B. 4.9 million
- C. 9.6 million
- D. 2.4 million

15. Which statement(s) about the Society of Actuaries' report on shocks in retirement is (are) correct?

- I. Thirty-two percent of retirees reported that major home repairs and upgrades created unexpected shocks.
  - II. Fraud, bankruptcy, divorce, and a drop in home value were cited by a combined 20 percent of retirees as causing financial shock in retirement.
- A. I only
  - B. II only
  - C. Both I and II
  - D. Neither I nor II

**Extensive Changes and Major Challenges Encountered in Health Insurance Markets under the Affordable Care Act**

16. All of the following statements about health insurance market reforms instituted by the Affordable Care Act are correct EXCEPT:

- A. The reforms aimed at addressing affordability include guidelines about what constitutes fair health insurance premiums.
- B. The reforms targeted at improving access extend dependent coverage to age 28.
- C. Some of the reforms apply to plans in both the individual and group insurance markets, but most are focused on the individual and small-group markets alone.
- D. Reforms that are geared toward improving coverage quality included the designation of qualified health plans.

17. During the 2016 open enrollment period for health insurance, how many enrollments occurred on public health insurance exchanges?

- A. 12.7 million
- B. 7.5 million

C. 9.6 million

D. 9.6 million on state-based exchanges and 3.1 million on federally facilitated exchanges

18. All of the following statements about special enrollment periods for obtaining health insurance are correct EXCEPT:

A. Insurers indicate that their costs are being driven up by people who are gaming the system by using special enrollment periods.

B. Individuals enrolling in health insurance exchanges during special enrollment periods have higher claims costs.

C. Individuals enrolling during special enrollment periods often have delayed signing up for coverage until medical expenses are actually encountered.

D. The more than 30 categories of special enrollment typically have strict documentation or validation requirements.

19. On what date was the Patient Protection and Affordable Care Act signed into law?

A. March 23, 2010

B. March 21, 2010

C. December 24, 2009

D. December 13, 2011

20. All of the following statements about Consumer Operated and Oriented Plans (CO-OPs) are correct EXCEPT:

A. A CO-OP is a consumer-governed, nonprofit health insurance issuer established with federal startup and solvency loans.

B. A CO-OP must be governed by an operational board with a majority of its directors elected by a the CO-OP's members.

C. An individual must be a member of the CO-OP in order to serve on the CO-OP board of directors.

D. Beginning in 2014, CO-OPs were able to offer qualified health insurance coverage both inside and outside the exchanges.

21. All of the following statements about the Vermont Health CO-OP are correct EXCEPT:

A. The Vermont Health CO-OP's plan was preapproved by Centers for Medicare and Medicaid Services and initially funded with \$33 million.

B. The Vermont insurance commissioner found that the CO-OP's staff lacked experience in business and insurance.

C. The Vermont insurance commissioner revoked the CO-OPs insurance license after learning that its president created a noncompetitive sweetheart deal with an insurance agency he owned.

D. The Vermont insurance commissioner denied an insurance license to the CO-OP due to a number of factors, including deceptive advertising and noncompetitive premiums.

22. Which statement about the experience of the CO-OP program in the 2014–2016 time period is correct?

A. Research by Banerjee et al. found that CO-OPs offered 22 percent of the lowest- priced products in the states where CO-OPs were present.

B. A review by the Department of Health and Human Services Office of the Inspector General found that as of December 31, 2014, member enrollment of 13 of the 23 CO-OPs was considerably lower than the initial enrollment projections.

C. Five CO-OPs were able to exceed their projected enrollment.

D. Net losses for 13 of the 22 CO-OPs exceeded \$18 million each for 2014.

23. All of the following identify factors that resulted in the closing of CO-OPs EXCEPT:

A. Limited enrollment

B. Higher-than-expected medical claims

C. Financial mismanagement

D. Declining demand for health insurance coverage

24. According to the Government Accountability Office, how much in loan money was awarded to the 24 CO-OPs initially selected to receive funds?

A. \$2.1 billion

B. \$2.4 billion

C. \$351 million

D. \$1.6 billion

25. Which statement(s) about the findings of the March 10, 2016, report of the Permanent Subcommittee on Investigations of the U.S. Senate regarding the failed CO-OPs is (are) correct?

I. The heavy costs of the failed CO-OPs will be borne by taxpayers, doctors, hospitals, patients, and other insurers.

II. The extensive evidence presented in the subcommittee's report suggests that Congress's budget cuts constituted the greatest contribution to the collapse of the CO-OPs.

A. I only  
B. II only

C. Both I and II  
D. Neither I nor II

### **Overcoming the Obstacles Student Debt Presents to the Ability to Buy a Home**

26. According to the Consumer Financial Protection Bureau, in May 2013 what was the size of student debt in the United States?

A. \$1 trillion

B. \$1 billion

C. \$1.2 billion

D. More than \$1.2 trillion

27. Which statement(s) about student debt in the United States is (are) correct?

I. According to a Federal Reserve Bank of New York report, student debt exceeds aggregate outstanding auto loans, credit card debt, and home equity balances.

II. A 2013 national study of those who graduated in 2005 with student loans reported that 52 percent of the 2005 graduates were at that time either delinquent or in default on their student loans.

A. I only  
B. II only

C. Both I and II  
D. Neither I nor II

28. All of the following statements about the Pay as You Earn student debt relief program are correct EXCEPT:

A. Students who borrow directly from the federal government for college expenses can enroll in the Pay as You Earn program.

B. The Pay as You Earn program is available for payment of both undergraduate and graduate

school student loans.

C. The Pay as You Earn program sets the borrower's monthly payments at 10 percent of his or her discretionary income.

D. Under the Pay as You Earn program, the time period for repayment of undergraduate student loans extends to a maximum of 15 years, at which point any remaining balance is forgiven.

29. According to a report by the Harvard University Joint Center of Housing Studies, what percentage of renters aged 25 to 34 spends more than 30 percent of their income on rent?

A. 40 percent

B. 46 percent

C. 48 percent

D. 52 percent

30. All of the following statements regarding homeownership in the United States are correct EXCEPT:

A. Homeownership rates declined from nearly 69 percent of the total adult population in 2006 to 63.4 percent in 2015.

B. Homeownership rates in 2015 were the lowest they had been in nearly 50 years.

C. The median age of first-time home buyers is now age 35, compared with age 29 in the early 1970s.

D. A 2014 Federal Reserve survey reports that 86 percent of first-time home buyers under age 31 depend on their own personal savings for all or part of the down payment.

15. All of the following statements about mortgage loan qualification requirements as reported from the survey of mortgage loan officers are correct EXCEPT:

A. All reporting conventional mortgage loan officers indicated that a minimum of 20 percent down payment was required for the best conventional mortgage rate and closing costs.

B. The maximum ratio of monthly mortgage payment to gross income reported to qualify for FHA financing was 31 percent to 33 percent.

C. The minimum acceptable credit score required by the vast majority of conventional mortgage lenders is 820.

D. FHA mortgage loan officers reported a range of minimum acceptable credit scores of between 580 and 700.

32. Which statement(s) about effectively managing student debt after graduation is (are) correct?

I. The author advises that new graduates avoid making major purchases on credit until a workable budget is in place and extra money is available.

II. The author advises taking advantage of student loan repayment options that allow for reducing monthly payments and extending the time to repay loans.

A. I only  
B. II only

C. Both I and II  
D. Neither I nor II

### **High-Frequency Trading and Internet Crime: “One Cannot Trust the Screen”**

33. All of the following statement(s) about potential dangers related to rapid development of the Internet and computer technologies are correct EXCEPT:

A. Practices such as “front-running” allow one group of investors to make millions at the expense of another group.

B. According to Marc Goodman, author of *Future Crimes*, companies such as Google and Acxiom are gathering extensive databases of information about human behavior that can be leveraged for their own purposes.

C. Companies are running “dark pools” to make profits from unknowing customers.

D. An illegal technique called “cyber spinning” is costing smaller investors and pension funds billions a year in fees and return on investment.

34. One second is equivalent to how many nanoseconds?

A. 1 million

B. 10 million

C. 1 billion

D. 10 billion

35. All of the following statements regarding developments in the world of high-frequency trading are correct EXCEPT:

A. According to Kevin Slavin, a company spent over \$300 million to build a trench through the Appalachian Mountains to lay a fiber optic cable that would help shave microseconds off trading

times between markets in Chicago and New York.

B. Lawsuits have been filed against stock exchanges, including the New York Stock Exchange and NASDAQ, on the basis that services were not delivered as contracted because of secret profits being made by high-frequency traders.

C. Citizens are becoming victims of their own governments' computer systems.

D. According to experts, high-frequency trades now represent 40 to 50 percent of the market.