

# Accredited Asset Management Specialist (AAMS) Practice Exam (Sample)

## Study Guide



**Everything you need from our exam experts!**

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# Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

**Remember:** successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

# How to Use This Guide

**This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:**

## **1. Start with a Diagnostic Review**

**Skim through the questions to get a sense of what you know and what you need to focus on. Don't worry about getting everything right, your goal is to identify knowledge gaps early.**

## **2. Study in Short, Focused Sessions**

**Break your study time into manageable blocks (e.g. 30 - 45 minutes). Review a handful of questions, reflect on the explanations, and take breaks to retain information better.**

## **3. Learn from the Explanations**

**After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.**

## **4. Track Your Progress**

**Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.**

## **5. Simulate the Real Exam**

**Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.**

## **6. Repeat and Review**

**Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning.**

## **7. Use Other Tools**

**Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.**

**There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly — adapt the tips above to fit your pace and learning style. You've got this!**

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## Questions

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- 1. What is a major responsibility of FINRA?**
  - A. Insuring customer accounts in brokerage firm liquidation**
  - B. Regulating life insurance products**
  - C. Overseeing investment advisor practices**
  - D. Administering retirement accounts**
  
- 2. From which sources might a retired person typically receive income?**
  - A. Personal savings and investments, Social Security, Employer-sponsored retirement plans.**
  - B. Borrowing against home equity, Investments in stocks, Part-time work.**
  - C. Rental income, Personal wealth, Social Security.**
  - D. Employment income, Personal loans, Insurance payouts.**
  
- 3. In financial planning, what does liquidity refer to?**
  - A. The ability to generate high returns**
  - B. The ease of accessing credit**
  - C. The ease of converting an asset to cash**
  - D. The potential for investment growth over time**
  
- 4. When analyzing a company's performance, which of the following is least likely to provide insight into future profitability?**
  - A. Current market conditions**
  - B. Historical financial performance**
  - C. Sector performance comparisons**
  - D. Management's personal opinions**
  
- 5. Which investment strategy focuses on the long-term growth potential of companies?**
  - A. Value investing**
  - B. Growth investing**
  - C. Market timing**
  - D. Income investing**

- 6. Which type of stock option allows for delayed tax recognition until exercise?**
- A. Incentive stock option**
  - B. Nonqualified stock option**
  - C. Employee stock purchase plan**
  - D. Stock appreciation rights**
- 7. Which of the following best describes a testamentary trust?**
- A. It is established during the lifetime of the trustor**
  - B. It can be revoked by the trustor at any time**
  - C. It is effective immediately upon creation**
  - D. It becomes effective upon the trustor's death**
- 8. What are exchange-traded funds (ETFs)?**
- A. Private investment vehicles**
  - B. Investment funds traded on stock exchanges that hold assets like stocks, commodities, or bonds**
  - C. Guaranteed investment contracts**
  - D. Mutual funds that are not publicly traded**
- 9. What is the primary benefit of having a durable power of attorney?**
- A. It allows for tax deductions**
  - B. It establishes a trust**
  - C. It remains valid if the principal becomes incapacitated**
  - D. It decreases estate taxes**
- 10. What does a holistic financial plan incorporate?**
- A. Only investments and savings**
  - B. All aspects of a client's financial life, including investments, taxes, and estate planning**
  - C. Only income and expenditures**
  - D. Real estate planning and market analysis**

## **Answers**

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1. A
2. A
3. C
4. D
5. B
6. A
7. D
8. B
9. C
10. B

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## **Explanations**

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## 1. What is a major responsibility of FINRA?

- A. Insuring customer accounts in brokerage firm liquidation**
- B. Regulating life insurance products**
- C. Overseeing investment advisor practices**
- D. Administering retirement accounts**

The major responsibility of FINRA (Financial Industry Regulatory Authority) is to oversee the brokerage industry, ensuring that firms and their registered representatives adhere to rules and regulations that protect investors. One key function of this organization is the regulation of securities firms and the protection of investor interests, which includes the management of customer accounts. While FINRA does play a role in overseeing activities related to the liquidation of brokerage firms, such as ensuring that customer assets are dealt with according to legal requirements, it does not provide insurance for customer accounts itself. Instead, the protection comes from the Securities Investor Protection Corporation (SIPC), which insures customer accounts in cases of broker-dealer insolvency. This aspect reinforces FINRA's role in investor protection during the firm liquidation process. The other options refer to functions typically outside of FINRA's purview. Regulating life insurance products falls under the jurisdiction of state insurance regulators rather than FINRA. The oversight of investment advisor practices is primarily managed by the SEC (Securities and Exchange Commission) and state regulators, while the administration of retirement accounts involves entities like the IRS and plan sponsors rather than a specific regulatory body like FINRA. Thus, the answer focusing on customer accounts during brokerage firm liquidation aligns with FINRA's responsibilities in investor protection.

## 2. From which sources might a retired person typically receive income?

- A. Personal savings and investments, Social Security, Employer-sponsored retirement plans.**
- B. Borrowing against home equity, Investments in stocks, Part-time work.**
- C. Rental income, Personal wealth, Social Security.**
- D. Employment income, Personal loans, Insurance payouts.**

A retired person typically receives income from sources that provide a stable and consistent cash flow to support their living expenses during retirement. Personal savings and investments, such as savings accounts, CDs, and diversified investment portfolios, are crucial because they can provide a reliable stream of income through interest or dividends. Social Security, being a government-provided income program, offers retirees monthly benefits based on their earnings record, which is a fundamental component of retirement income for many. Additionally, employer-sponsored retirement plans, such as 401(k) or pension plans, are designed specifically to provide income in retirement, as they accumulate contributions made during the individual's working years. The other options, while they may include some sources of income that a retiree might consider, do not represent the most common or reliable income streams. Borrowing against home equity and personal loans can create financial obligations, making them less desirable. Part-time work may be an option for some retirees, but it is not a guaranteed source of income like the primary options listed. Rental income and investments in stocks could be occasional sources but are not as predictable as pension and Social Security payments. Finally, employment income typically ceases upon retirement unless the individual chooses to work part-time, and insurance payouts vary significantly and are generally not consistent.

### 3. In financial planning, what does liquidity refer to?

- A. The ability to generate high returns
- B. The ease of accessing credit
- C. The ease of converting an asset to cash**
- D. The potential for investment growth over time

In financial planning, liquidity is defined as the ease with which an asset can be converted into cash without significantly affecting its market price. This concept is crucial for individuals and businesses because it impacts their ability to meet short-term obligations and respond to unforeseen expenses. Assets that are highly liquid, such as cash or money market accounts, can be accessed quickly, whereas assets like real estate may take longer to sell and convert into cash. When considering the options, generating high returns pertains to the performance of investments rather than how easily funds can be accessed. Accessing credit focuses on borrowing capacity, which is separate from asset liquidity. The potential for investment growth relates to the appreciation of asset value over time and not their convertibility to cash. Therefore, identifying liquidity as the ease of converting an asset to cash accurately captures its essence in financial planning.

### 4. When analyzing a company's performance, which of the following is least likely to provide insight into future profitability?

- A. Current market conditions
- B. Historical financial performance
- C. Sector performance comparisons
- D. Management's personal opinions**

In the context of analyzing a company's performance, management's personal opinions are least likely to provide substantive insights into future profitability. Unlike data-driven factors such as current market conditions, historical financial performance, and sector performance comparisons, which rely on measurable metrics and trends, personal opinions are subjective and can be influenced by various biases. Current market conditions offer a real-time snapshot of the economic environment in which a company operates, reflecting demand, competition, and economic trends that directly affect profitability. Historical financial performance provides valuable data on how the company has performed over time, indicating patterns and trends that can be extrapolated into the future. Sector performance comparisons allow analysts to gauge how a company stacks up against its peers, providing context and benchmarks for evaluating potential profitability. In contrast, management's personal opinions, while they may offer insight into strategic direction or company culture, do not carry the same evidentiary weight as empirical data. They can often be overly optimistic or pessimistic and lack the grounding in data needed to make reliable predictions about future financial performance. Thus, while opinions can provide supplementary context, they should not be the primary focus when assessing the likelihood of future profitability.

**5. Which investment strategy focuses on the long-term growth potential of companies?**

- A. Value investing
- B. Growth investing**
- C. Market timing
- D. Income investing

The correct answer focuses on investing in companies that demonstrate strong potential for growth over time. Growth investing emphasizes acquiring stocks of companies that are expected to grow at an above-average rate compared to their industry or the overall market. Investors who adopt this strategy typically look for companies that are reinvesting their profits to expand their business and increase market share, often prioritizing revenue growth and innovation over immediate profitability. This long-term perspective is rooted in the belief that over time, the value of these growth-oriented companies will significantly increase, leading to substantial returns for investors. This approach can sometimes involve a higher level of risk, as growth stocks may experience significant fluctuations in price and are often valued based on future earnings potential rather than current cash flow or dividends. In contrast, the other investment strategies focus on different aspects of investing. Value investing, for instance, seeks undervalued securities with the expectation that the market will correct the pricing over time, while market timing revolves around short-term movements in the market, trying to capitalize on price fluctuations. Income investing is primarily concerned with generating regular cash flow from investments, such as dividends or interest, which may not align with the growth-focused objectives of long-term capital appreciation.

**6. Which type of stock option allows for delayed tax recognition until exercise?**

- A. Incentive stock option**
- B. Nonqualified stock option
- C. Employee stock purchase plan
- D. Stock appreciation rights

The correct answer pertains to incentive stock options (ISOs), which are designed to provide favorable tax treatment under specific conditions. When an employee is granted ISOs, they do not have to recognize any income for tax purposes at the time of the option's grant or even when the options are vested. Tax recognition occurs only when the employee exercises the option to purchase the stock. This structure is beneficial for employees because they can hold onto the options until they're ready to exercise them, potentially benefiting from appreciation in the stock's value without the tax implications that typically accompany other types of stock options at the time they are granted or vested. Moreover, if certain conditions are met after exercising an ISO—specifically holding the stock for a required period—the gains can also be subject to favorable capital gains tax rates rather than ordinary income rates, making it a beneficial compensation tool for employees. In contrast, nonqualified stock options and other forms of stock compensation (like employee stock purchase plans and stock appreciation rights) usually result in immediate tax obligations at the time they are exercised or when the stock is sold. These options do not carry the same favorable tax deferrals that ISOs offer.

**7. Which of the following best describes a testamentary trust?**

- A. It is established during the lifetime of the trustor**
- B. It can be revoked by the trustor at any time**
- C. It is effective immediately upon creation**
- D. It becomes effective upon the trustor's death**

A testamentary trust is a specific type of trust that is created through a will and becomes effective only upon the death of the person who established it, referred to as the trustor. This means that the provisions laid out in the trust are not actionable until the trustor has passed away, at which point the trust is funded and administered according to the instructions specified in the will. The key characteristic of a testamentary trust is its reliance on the trustor's death as the trigger for activation; this differentiates it from other types of trusts, such as living trusts, which are established during the trustor's lifetime and can be managed immediately. Such trusts can include specific instructions for distributing assets to beneficiaries, managing debts, or other estate planning goals that can only be realized after the trustor's passing.

**8. What are exchange-traded funds (ETFs)?**

- A. Private investment vehicles**
- B. Investment funds traded on stock exchanges that hold assets like stocks, commodities, or bonds**
- C. Guaranteed investment contracts**
- D. Mutual funds that are not publicly traded**

Exchange-traded funds (ETFs) are investment funds that are traded on stock exchanges, similar to individual stocks. They typically hold a diversified portfolio of assets, which may include stocks, commodities, or bonds. This structure allows investors to gain exposure to a broad range of markets or specific sectors without having to buy each underlying asset individually. ETFs are designed to offer liquidity and flexibility, as they can be bought and sold throughout the trading day, unlike traditional mutual funds that are only traded at the end of the trading day at their net asset value. This characteristic makes ETFs an attractive option for investors looking for a more active and dynamic investment strategy. The other options do not accurately describe ETFs. Private investment vehicles are not available to public investors and often have restrictions on who can invest. Guaranteed investment contracts are a different vehicle that typically provides a guaranteed return, reflecting fixed income investments rather than the diversified nature of ETFs. Similarly, mutual funds that are not publicly traded do not fit the definition of ETFs, as ETFs are explicitly designed to be publicly traded on exchanges, allowing for greater accessibility and liquidity.

**9. What is the primary benefit of having a durable power of attorney?**

- A. It allows for tax deductions**
- B. It establishes a trust**
- C. It remains valid if the principal becomes incapacitated**
- D. It decreases estate taxes**

The primary benefit of having a durable power of attorney is that it remains valid if the principal becomes incapacitated. This means that the designated agent can continue to make financial and legal decisions on behalf of the principal, ensuring their affairs are managed according to their wishes even when they are unable to act for themselves. This instrument is particularly valuable because it provides a seamless continuation of management of the principal's assets and responsibilities during situations like illness or cognitive decline. Other options do not align with the core function of a durable power of attorney. For example, tax deductions and estate taxes are related to financial planning and management but are not directly influenced by having a power of attorney in place. Similarly, while establishing a trust is a useful estate planning tool, it is separate from the responsibilities and authority granted by a power of attorney. Therefore, the specific and crucial benefit of a durable power of attorney lies in its ability to persist in the face of the principal's incapacity, allowing for consistent management of their legal and financial matters.

**10. What does a holistic financial plan incorporate?**

- A. Only investments and savings**
- B. All aspects of a client's financial life, including investments, taxes, and estate planning**
- C. Only income and expenditures**
- D. Real estate planning and market analysis**

A holistic financial plan is comprehensive in nature, addressing a broad spectrum of a client's financial situation rather than focusing on isolated components. This approach includes all aspects of a client's financial life—such as investments, taxes, retirement planning, insurance needs, cash flow management, and estate planning. By integrating these elements, a holistic financial plan helps clients achieve their long-term financial goals in a coordinated way. Considering the shortcomings of the other options: limiting the plan to just investments and savings does not fully encompass the client's entire financial picture, which is essential for effective management. Focusing only on income and expenditures neglects critical concerns such as tax strategy and legacy planning, which can significantly impact financial well-being. Similarly, real estate planning and market analysis may be important, but they represent only a fraction of the whole picture, leaving out vital aspects like tax implications and investment diversification. Therefore, only the comprehensive approach in option B truly embodies what a holistic financial plan entails.

## Next Steps

**Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.**

**As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.**

**If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at [hello@examzify.com](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://accreditedassetmgmt.examzify.com>**

**We wish you the very best on your exam journey. You've got this!**