

ACCREDITED WEALTH MANAGEMENT ADVISOR (AWMA) 1 PRACTICE EXAM (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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. 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.

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. 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!

Questions

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- 1. Which concern is common among wealthy clients under 30 and those over 60?**
 - A. Investment strategy.
 - B. Strong investment performance.
 - C. Management of financial risks.
 - D. Fee transparency.
- 2. What is the primary focus of estate planning?**
 - A. To minimize estate taxes
 - B. To ensure a client's wishes are executed after their death
 - C. To maximize a client's income during their lifetime
 - D. To limit the distribution of wealth
- 3. What type of expense can arise even if a host is not held liable for damages during an event?**
 - A. Insurance premiums
 - B. Event preparation costs
 - C. Defense costs
 - D. Out-of-court settlements
- 4. In wealth management, what is the advantage of a diversified investment portfolio?**
 - A. It guarantees a profit
 - B. It reduces overall investment risk
 - C. It limits investment options
 - D. It focuses only on one asset class
- 5. Which statement regarding a reverse gift transaction is NOT correct?**
 - A. The property has a low basis relative to its fair market value
 - B. The donor seeks a stepped-up basis in the asset
 - C. The donee must leave property to the donor at death
 - D. The property involved has a high basis

- 6. What is the main purpose of a financial plan?**
- A. A roadmap for managing an individual's financial future
 - B. A method for lowering interest rates
 - C. A guide for social interactions
 - D. A strategy for personal development
- 7. What should be considered when evaluating the significance of credited assets?**
- A. Only their historical performance.
 - B. Their appreciation and value recognition over time.
 - C. Their liquidity in different markets.
 - D. Only their cash flow potential.
- 8. Which of the following describes 'wealth preservation' in wealth management?**
- A. Strategies to increase wealth aggressively
 - B. Strategies to protect and maintain wealth
 - C. Methods for rapid wealth accumulation
 - D. Techniques for minimizing expenses
- 9. What does tax-efficient investing aim to achieve?**
- A. Maximize returns regardless of taxes
 - B. Minimize tax liability on investment returns
 - C. Increase overall investment risk
 - D. Focus solely on real estate investments
- 10. Which of the following best describes the primary goal of risk management in wealth management?**
- A. To maximize portfolio returns regardless of market volatility
 - B. To minimize potential losses while achieving financial goals
 - C. To entirely eliminate all risks associated with investments
 - D. To maximize liquid assets and cash flow

Answers

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

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Explanations

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1. Which concern is common among wealthy clients under 30 and those over 60?

- A. Investment strategy.
- B. Strong investment performance.**
- C. Management of financial risks.
- D. Fee transparency.

The concern of strong investment performance is indeed commonly shared among wealthy clients both under 30 and over 60. Regardless of age, individuals with significant financial resources typically prioritize the growth and performance of their investments. For younger clients, there is often a desire to maximize returns early in their financial journey, leveraging time for compound growth. On the other hand, older clients, especially those approaching retirement, also focus on the performance of their investments to ensure that their savings will sustain their lifestyle in retirement and provide a secure financial foundation. This cross-generational concern reflects a universal objective among affluent individuals to achieve favorable returns, which can be motivated by differing life stages but remains a central theme in wealth management discussions. Wealthy individuals, despite their varied experiences and goals, recognize that strong performance is a key indicator of success in managing their investments. Thus, it acts as a focal point for discussions and strategies developed between clients and their advisors. In contrast, while investment strategy, management of financial risks, and fee transparency are significant topics, they may not resonate as uniformly across these two age groups. Younger clients might be more open to varied strategies or portfolios that integrate riskier assets since they have time to recover from potential losses, while older clients typically focus more on stability

2. What is the primary focus of estate planning?

- A. To minimize estate taxes
- B. To ensure a client's wishes are executed after their death**
- C. To maximize a client's income during their lifetime
- D. To limit the distribution of wealth

The primary focus of estate planning is to ensure that a client's wishes are executed after their death. This involves creating a comprehensive plan that details how an individual wants their assets and affairs to be managed and distributed upon their passing. Estate planning encompasses various elements, such as drafting wills, establishing trusts, designating beneficiaries, and planning for potential incapacity. The goal is to respect the client's intent and provide clarity regarding asset distribution, which can help avoid conflicts among surviving family members and ensure that the client's desired legacies are honored. Effective estate planning can also facilitate a smoother transition for heirs, making the administration of the estate more straightforward and less stressful during an already difficult time. While minimizing estate taxes and maximizing income during a client's lifetime are important considerations in the broader scope of financial planning, they are secondary to the fundamental objective of executing the client's wishes. Limiting the distribution of wealth can be a part of certain estate planning strategies, but it does not reflect the overall primary goal, which is to implement the client's directives regarding their estate.

3. What type of expense can arise even if a host is not held liable for damages during an event?

- A. Insurance premiums
- B. Event preparation costs
- C. Defense costs**
- D. Out-of-court settlements

The option referring to defense costs is correct because these costs can occur regardless of whether the host is ultimately found liable for damages. Defense costs encompass expenses related to legal representation, including attorney fees and other associated legal expenses incurred while defending against potential claims or lawsuits arising from an event. Even if no liability is established, the necessity of legal defense can lead to significant financial obligations. In contrast, the other options do not accurately reflect this context. Insurance premiums are payments made to maintain coverage and are not contingent upon specific events taking place. Event preparation costs are directly tied to organizing the event itself, while out-of-court settlements imply a conclusion to a legal dispute where liability may have been determined, which is not the case if the host is not held liable. Thus, defense costs uniquely represent an expense that can arise independent of liability outcomes.

4. In wealth management, what is the advantage of a diversified investment portfolio?

- A. It guarantees a profit
- B. It reduces overall investment risk**
- C. It limits investment options
- D. It focuses only on one asset class

A diversified investment portfolio primarily reduces overall investment risk by spreading investments across various asset classes, sectors, or geographic regions. This strategy is based on the principle that different investments often perform differently under various market conditions. By not putting all funds into a single investment, the potential negative impact of a poor-performing asset is mitigated by the performance of others that may be doing well. For instance, if the stock market declines, bonds or real estate investments might remain stable or even increase in value, helping to balance out losses in the stock portion of the portfolio. Therefore, diversification can lead to more stable returns over time, making it a fundamental principle in effective wealth management. Other options do not align with the goal of diversification. A diversified portfolio does not guarantee a profit, as all investments carry some level of risk. It also does not limit investment options; rather, it encourages a broader approach by including multiple asset types. Lastly, diversification inherently involves investing across different asset classes instead of focusing solely on one, which would introduce higher risk without the balancing benefits that diversification provides.

5. Which statement regarding a reverse gift transaction is NOT correct?

- A. The property has a low basis relative to its fair market value
- B. The donor seeks a stepped-up basis in the asset
- C. The donee must leave property to the donor at death
- D. The property involved has a high basis**

In the context of reverse gift transactions, the focus is typically on how the transfer of assets affects tax implications, particularly regarding basis. The statement indicating that the property involved has a high basis is not correct in the context of reverse gifts. When a reverse gift occurs, it often involves transferring an asset with a low basis relative to its fair market value, which could be beneficial for the donor if they seek a stepped-up basis in the asset. In this case, when the donee passes away, the donor could inherit the property, potentially receiving a stepped-up basis that reflects the fair market value at that time, thus reducing capital gains tax exposure. Conversely, the other statements highlight the fundamental aspects of a reverse gift transaction. A low basis relative to fair market value is typical, as the value of the gift may have appreciated significantly since the donor acquired it. The donor's desire for a stepped-up basis is essential for estate planning purposes. Additionally, the requirement that the donee must leave property to the donor at death aligns with the typical arrangement of reverse gifts, as the transfer's objective is often contingent upon the donor ultimately regaining the asset upon the donee's demise. Overall, the assertion about the property having a high basis does

6. What is the main purpose of a financial plan?

- A. A roadmap for managing an individual's financial future**
- B. A method for lowering interest rates
- C. A guide for social interactions
- D. A strategy for personal development

The main purpose of a financial plan is to serve as a roadmap for managing an individual's financial future. A well-constructed financial plan encompasses various elements, such as budgeting, investing, retirement planning, and risk management, all tailored to an individual's goals and circumstances. This roadmap helps clients understand where they are currently financially, where they want to go, and how to get there effectively. By laying out specific strategies and action steps, a financial plan provides clarity and direction, helping individuals make informed decisions about their money. It allows clients to anticipate potential obstacles and make adjustments as necessary to stay on track toward their financial goals, whether it's saving for a home, funding education, or planning for retirement. This distinguishes it from other choices, which do not capture the comprehensive financial focus that a financial plan is designed to address. For instance, methods for lowering interest rates are part of financial management but do not encompass the broader strategy of an entire financial plan. Similarly, guides for social interactions and strategies for personal development are outside the scope of financial planning, as they do not directly relate to managing finances or achieving financial goals.

7. What should be considered when evaluating the significance of credited assets?

- A. Only their historical performance.
- B. Their appreciation and value recognition over time.**
- C. Their liquidity in different markets.
- D. Only their cash flow potential.

When evaluating the significance of credited assets, considering their appreciation and value recognition over time is crucial. This aspect reflects how the assets have performed not just in the present but throughout various market conditions and economic cycles. By examining the historical trends of appreciation, an investor can assess whether the asset is likely to maintain or increase its value in the future, making it a more robust investment choice. Moreover, the aspect of value recognition is important as it speaks to how the market perceives these assets. An asset that has been recognized for its value through consistent appreciation is generally seen as a more stable investment. This recognition can lead to a stronger demand for the asset, influencing its liquidity and overall marketability. While historical performance alone provides some insight, it does not encompass the entire picture of an asset's potential. Similarly, liquidity is important but is only one facet when considering the overall significance of an asset. Cash flow potential, while relevant, focuses primarily on the income generated without necessarily reflecting the asset's overall value trajectory. Thus, evaluating both appreciation and value recognition gives a more holistic perspective on credited assets.

8. Which of the following describes 'wealth preservation' in wealth management?

- A. Strategies to increase wealth aggressively
- B. Strategies to protect and maintain wealth**
- C. Methods for rapid wealth accumulation
- D. Techniques for minimizing expenses

Wealth preservation refers to strategies and practices aimed at protecting and maintaining an individual's wealth over time. This approach emphasizes the importance of safeguarding existing assets against risks such as market volatility, economic downturns, inflation, and unforeseen expenses. Wealth preservation involves prudent investment decisions, appropriate asset allocation, and risk management, ensuring that the wealth can be sustained and potentially passed on to future generations. The focus is not on aggressive growth, but rather on stability, security, and long-term sustainability of wealth. This might include diversification of investments, using insurance products, or creating trusted legal structures like trusts, all designed to mitigate risks and ensure wealth continues to serve its purpose without significant loss. Other options suggest approaches that do not align with the principles of wealth preservation. Aggressive strategies aim to substantially increase wealth, while methods for rapid accumulation focus on quickly building wealth rather than securing what is already possessed. Techniques for minimizing expenses could be part of a broader financial strategy, but they do not specifically address the preservation of wealth itself.

9. What does tax-efficient investing aim to achieve?

- A. Maximize returns regardless of taxes
- B. Minimize tax liability on investment returns**
- C. Increase overall investment risk
- D. Focus solely on real estate investments

Tax-efficient investing aims to minimize tax liability on investment returns. This approach is designed to enhance the after-tax returns for investors by strategically selecting investment vehicles and managing the timing of income and capital gains. By considering the tax implications of investment choices, individuals can retain more of their earnings and increase their wealth over time. Tax-efficient investing involves methods such as: - Utilizing tax-advantaged accounts like IRAs or Roth IRAs. - Focusing on investments with favorable tax treatment, such as municipal bonds. - Employing strategies like tax-loss harvesting to offset capital gains with losses. This thoughtful approach to investing ensures that taxes do not significantly erode the returns, allowing investors to better achieve their financial goals while adhering to tax regulations. The other options do not align with the primary goal of tax-efficient investing. For instance, maximizing returns without regard for taxes does not consider the impact of taxes on net gains, while increasing overall investment risk or concentrating solely on real estate investments does not fit within the broader strategy of managing tax implications effectively across different asset classes.

10. Which of the following best describes the primary goal of risk management in wealth management?

- A. To maximize portfolio returns regardless of market volatility
- B. To minimize potential losses while achieving financial goals**
- C. To entirely eliminate all risks associated with investments
- D. To maximize liquid assets and cash flow

The primary goal of risk management in wealth management is best described as minimizing potential losses while achieving financial goals. This approach recognizes that risk is an inherent part of investing and that completely eliminating risk is neither feasible nor desirable. Instead, effective risk management seeks to understand, assess, and mitigate risks to protect an investor's capital and ensure that they can meet their long-term financial objectives. By focusing on minimizing losses, wealth managers can create strategies that take into account an investor's risk tolerance, time horizon, and financial goals. This enables a balanced approach where potential returns can still be pursued, but with an emphasis on safeguarding the portfolio against significant downturns or market volatility that could derail the investor's plans. This perspective aligns with the principle that risk and return are fundamentally linked, requiring careful consideration of both factors in investment decision-making. In contrast, maximizing portfolio returns regardless of market volatility does not adequately address the potential dangers posed by unforeseen market events. The aim to eliminate all investment risks is unrealistic; all investments carry some level of risk. Lastly, while maximizing liquid assets and cash flow can be an important aspect of overall financial planning, it does not capture the essence of risk management in a focused manner. The overarching strategy remains centered on achieving favorable financial outcomes with mindful

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.

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

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

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