ACCREDITED WEALTH MANAGEMENT ADVISOR (AWMA) EXAM 2 PRACTICE TEST (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

1. Which statement about the comparison between the suitability standard and the fiduciary standard is correct?

A. Both approaches require the duty of loyalty when working with clients.

B. The suitability standard and the fiduciary standard are essentially the same thing.

C. Both approaches are primarily solution driven rather than product driven.

D. Verbal disclosure may be adequate under the suitability standard but not the fiduciary standard.

2. Differentiate long-term vs short-term capital gains rates.

A. Short-term gains are taxed as ordinary income; long-term gains have reduced rates if held longer than one year.

B. Long-term gains taxed at ordinary rates; short-term gains are tax-free.

C. Both taxed the same; no distinction.

D. Short-term gains exempt if below threshold; long-term taxed at capital gains rate.

3. What is the primary purpose of a revocable living trust in estate planning?

A. To manage assets during the grantor's life and transfer them to beneficiaries after death, while avoiding probate and maintaining flexibility since the trust is revocable.

B. To irrevocably transfer assets at creation and avoid probate forever.

C. To replace a will and guarantee probate avoidance for all assets.

D. To provide a tax deduction for charitable gifts.

4. What is the market return if the risk-free rate is 6.5% and the market risk premium is 7%?

A. 11.5%

B. 12.5%

C. 13.5%

D. 14.5%

5. Second-to-die life insurance policy is primarily used to

A. fund a buy-sell

B. cover mortgage

C. pay estate taxes

D. fund college education

6. Which statement about SIMPLE plan eligibility and structure is true?

A. A SIMPLE plan can be either a 401(k) plan or an IRA.

B. The plan requires contributions only from the employer.

C. Elective contributions are not permitted under a SIMPLE plan.

D. A SIMPLE plan can only be a SIMPLE IRA.

7. When funding a CRT with appreciated assets, what tax benefit is typically realized?

A. No tax deductions are allowed.

B. Only ordinary income tax applies.

C. Only capital gains tax is avoided.

D. An immediate charitable deduction and capital gains benefits when funding appreciated assets.

8. For an investor who has purchased only publicly traded REITs in the past, which of the following risks should he or she be aware of regarding the market value of nontraded REITs on any given day?

A. Transparency risk

B. Systematic risk

C. Distribution risk

D. Pricing risk

9. Which tool is designed to keep a client focused on long-term goals despite changing economic conditions?

A. Short-term performance reports

B. Investment Policy Statement

C. Estate plan

D. Tax strategy

10. Which factor is most important in establishing trust with a client?

A. Being associated with a good financial company

B. Having a pleasant manner

C. Demonstrating professional knowledge

D. Being genuine and following best practices

Answers

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

Explanations

1. Which statement about the comparison between the suitability standard and the fiduciary standard is correct?

A. Both approaches require the duty of loyalty when working with clients.

B. The suitability standard and the fiduciary standard are essentially the same thing.

C. Both approaches are primarily solution driven rather than product driven.

D. Verbal disclosure may be adequate under the suitability standard but not the fiduciary standard.

The main idea is the difference in duties and disclosure expectations between the suitability standard and the fiduciary standard. Under the suitability standard, a recommendation just has to be suitable for the client's needs and circumstances, and the disclosure can be less formal—verbal explanations about risks, fees, and conflicts may be enough if the product is deemed suitable. In contrast, the fiduciary standard requires acting in the client's best interest with loyalty and care, and it demands full, clear disclosure of all material conflicts, typically in writing. Because of that higher duty, verbal disclosures alone do not meet fiduciary obligations. So the statement that verbal disclosure may be adequate under the suitability standard but not under the fiduciary standard is the best choice. The other options are inconsistent with how the two standards differ in loyalty and disclosure requirements, and in how they guide the advisor's duties.

2. Differentiate long-term vs short-term capital gains rates.

A. Short-term gains are taxed as ordinary income; long-term gains have reduced rates if held longer than one year.

B. Long-term gains taxed at ordinary rates; short-term gains are tax-free.

C. Both taxed the same; no distinction.

D. Short-term gains exempt if below threshold; long-term taxed at capital gains rate.

The main idea being tested is how holding period changes how capital gains are taxed. If you sell an asset you've held for one year or less, the gain is taxed at ordinary income tax rates—the same brackets that apply to wages. If you hold the asset longer than one year, the gain qualifies for long-term capital gains rates, which are generally lower and depend on your taxable income and filing status (typically 0%, 15%, or 20%), with a possible 3.8% net investment income tax for higher earners. This is why the correct statement says short-term gains are taxed as ordinary income and long-term gains have reduced rates after a year. The other descriptions don't reflect the holding-period distinction—long-term gains aren't taxed at ordinary rates, and short-term gains aren't tax-free.

3. What is the primary purpose of a revocable living trust in estate planning?

A. To manage assets during the grantor's life and transfer them to beneficiaries after death, while avoiding probate and maintaining flexibility since the trust is revocable.

B. To irrevocably transfer assets at creation and avoid probate forever.

C. To replace a will and guarantee probate avoidance for all assets.

D. To provide a tax deduction for charitable gifts.

A revocable living trust is designed to manage your assets during life and pass them to your beneficiaries after death, with the benefit of probate avoidance and ongoing flexibility because you can alter or revoke the trust at any time. In practice, you fund the trust with assets, appoint a trustee to handle them while you're alive (often you and then a successor trustee after death or incapacity), and designate how and to whom they should be distributed when you're gone. Because the trust is revocable, you retain control and can change beneficiaries, add or remove assets, or dissolve the trust entirely if your circumstances change. This setup helps avoid probate for assets placed in the trust, offering a quicker, more private transfer to heirs and a smoother plan if you become incapacitated. It's not about tax deductions or permanently removing assets from your control, and it won't automatically cover every asset—some assets still pass outside the trust (like those with designated beneficiaries) and the trust itself doesn't provide tax benefits.

4. What is the market return if the risk-free rate is 6.5% and the market risk premium is 7%?

A. 11.5%

B. 12.5%

C. 13.5%

D. 14.5%

The market return is found by adding the risk-free rate to the market risk premium. In CAPM, the expected return on the market portfolio equals Rf + ERP, where the market risk premium is the extra return investors require for taking on market risk. With a risk-free rate of 6.5% and a market risk premium of 7%, the market return is 6.5% + 7% = 13.5%. So the best answer is 13.5%. The other values would result from misinterpreting the numbers or mis-adding.

5. Second-to-die life insurance policy is primarily used to

A. fund a buy-sell

B. cover mortgage

C. pay estate taxes

D. fund college education

Second-to-die life insurance is designed to help with estate planning by providing liquidity after both spouses have died. Because the policy pays only on the second death, it ensures there are funds available to cover estate taxes and settlement costs when heirs inherit, preventing the need to force the sale of assets or a business to meet tax obligations. It can also help preserve wealth for heirs and simplify wealth transfer. This type of policy isn't typically used to fund a buy-sell agreement, which generally relies on policies that trigger on the death of one owner to buy out the deceased's share. It also doesn't address living expenses or immediate needs like paying a mortgage or funding college tuition, since the payout occurs after the second death rather than at the death of one individual.

6. Which statement about SIMPLE plan eligibility and structure is true?

A. A SIMPLE plan can be either a 401(k) plan or an IRA.

B. The plan requires contributions only from the employer.

C. Elective contributions are not permitted under a SIMPLE plan.

D. A SIMPLE plan can only be a SIMPLE IRA.

SIMPLE plans come in two forms: a SIMPLE IRA and a SIMPLE 401(k). That flexibility is exactly why the statement is true: a SIMPLE plan can be either a 401(k) plan or an IRA. In terms of structure, eligible employers offer employee salary deferrals, and the plan requires employer contributions as well—either a 2% nonelective contribution for all eligible employees or a matching contribution up to 3% of compensation (depending on the form chosen). This setup means contributions can come from both employees and the employer, so the option claiming contributions are employer-only isn't correct. Elective deferrals are allowed, so saying they're not permitted isn't correct either. And since there are two forms (SIMPLE IRA and SIMPLE 401(k)), it isn't limited to just an IRA.

7. When funding a CRT with appreciated assets, what tax benefit is typically realized?

A. No tax deductions are allowed.

B. Only ordinary income tax applies.

C. Only capital gains tax is avoided.

D. An immediate charitable deduction and capital gains benefits when funding appreciated assets.

When you fund a charitable remainder trust with appreciated assets, you typically realize two benefits at once: an immediate charitable deduction and protection from capital gains on the contributed asset. The trust is a tax-exempt vehicle, so it can sell the appreciated asset without recognizing capital gains, leaving more value to fund the income payments to the donor or other beneficiaries and ultimately to charity. At the same time, the donor receives a current charitable deduction equal to the present value of the remainder that will eventually go to charity, subject to applicable deductibility limits. While distributions from the trust to beneficiaries are taxed to them (ordinary income to the extent of ordinary income, and capital gains to the extent of capital gains), the upfront advantages—deduction now and no immediate capital gains on the transfer—are the typical, primary benefits of using appreciated assets to fund a CRT.

8. For an investor who has purchased only publicly traded REITs in the past, which of the following risks should he or she be aware of regarding the market value of nontraded REITs on any given day?

A. Transparency risk

B. Systematic risk

C. Distribution risk

D. Pricing risk

The main idea is that nontraded REITs lack an active public market, so their daily market value isn't determined by real-time trading. Instead, value is produced by infrequent appraisals or internal valuations, which means the price you see on any given day can be uncertain and may not reflect what a buyer would actually pay right now. This creates pricing risk—the risk that the stated price of a nontraded REIT can drift as valuations are updated or as assumptions change, and you may not be able to sell at that price promptly if you need liquidity. The other risks are related to different considerations: transparency risk concerns how much information is available, distribution risk relates to income distributions, and systematic risk is the broad market risk that affects nearly all investments; none specifically captures the day-to-day uncertainty in valuing a nontraded REIT like pricing risk does.

9. Which tool is designed to keep a client focused on long-term goals despite changing economic conditions?

A. Short-term performance reports

B. Investment Policy Statement

C. Estate plan

D. Tax strategy

An Investment Policy Statement provides the framework to stay focused on long-term goals through changing markets. It captures the client's objectives, time horizon, risk tolerance, liquidity needs, and any constraints (such as tax considerations and legal or regulatory factors), along with the portfolio's target asset allocation and rules for rebalancing. Because it sets predefined criteria for decisions—what levels of risk are acceptable, when to rebalance, and how to handle deviations—it acts as a compass during volatility, helping the investor stay disciplined rather than reactive to short-term swings. Short-term performance reports emphasize recent results and can push a client to chase near-term gains or overreact to losses, which undermines long-term planning. An estate plan focuses on wealth transfer after death, not on guiding ongoing investment behavior. A tax strategy targets tax efficiency, which is important but doesn't inherently provide the ongoing decision-making framework to weather market cycles. The Investment Policy Statement uniquely anchors long-term objectives while accommodating constraints, making it the best tool for maintaining focus across changing economic conditions.

10. Which factor is most important in establishing trust with a client?

A. Being associated with a good financial company

B. Having a pleasant manner

C. Demonstrating professional knowledge

D. Being genuine and following best practices

Trust with a client comes from genuine care combined with consistent, ethical action. Being genuine means you truly prioritize the client's interests, listen actively, be transparent about risks, fees, and any conflicts, and follow through on commitments. Following best practices means you apply proven, ethical processes—conducting proper due diligence, tailoring recommendations to the client's goals, documenting the rationale, and staying within fiduciary or regulatory duties. When these two elements align, clients feel informed, protected, and confident in the advisor's integrity over time. Being associated with a reputable firm can help, but it isn't enough on its own—if the relationship lacks authenticity or a disciplined, client-centered process, trust may falter. A pleasant manner helps rapport, yet it doesn't replace genuine behavior or solid, consistent practices. Knowledge matters, but trust grows strongest when that knowledge is paired with true integrity and adherence to best practices.

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:

https://awma2.examzify.com

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