

ACCREDITED WEALTH MANAGEMENT ADVISOR (AWMA) EXAM 3 PRACTICE TEST (SAMPLE) STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Table of Contents

Copyright	1
Table of Contents	2
Introduction	3
How to Use This Guide	4
Questions	5
Answers	8
Explanations	10
Next Steps	15

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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. Investors seeking the least risk should acquire stocks with beta coefficients**
 - A. less than 1.0.
 - B. less than 0.5.
 - C. greater than 1.5.
 - D. greater than 1.0.
- 2. Estate tax portability requires timely filing.**
 - A. True
 - B. False
 - C. It requires nothing
 - D. It is automatic without forms
- 3. The stage of venture capital that involves beta testing and giving away free samples is known as which stage?**
 - A. First stage
 - B. Seed capital
 - C. Second stage/Expansion capital
 - D. Mezzanine stage
- 4. Which of the following is not one of the fiduciary duties required under the Standards of Conduct now in place for CFP professionals?**
 - A. Duty of loyalty
 - B. Duty of competency
 - C. Duty of care
 - D. Duty to follow client instructions
- 5. What is a primary risk of not incorporating liquidity planning into a wealth plan?**
 - A. The risk of forced asset sales at inopportune times, reducing wealth.
 - B. The risk of higher investment returns.
 - C. There is no risk.
 - D. It guarantees wealth preservation.

- 6. What does annual exclusion gifting enable in estate planning?**
- A. Automatic qualification for charitable deductions
 - B. Immediate elimination of all estate taxes
 - C. Gradual transfer of wealth while using the lifetime exemption later
 - D. Deduction for all future gifts
- 7. In the wealth allocation framework, which statement about the main diversified assets category is most accurate?**
- A. It is typically the smallest portion of the portfolio
 - B. It is the largest portion and generally low risk
 - C. It includes only cash and equivalents
 - D. It is primarily made up of speculative investments
- 8. What is the fiduciary obligation when conflicts of interest arise?**
- A. Avoid conflicts of interest and act in the beneficiary's best interests
 - B. Prioritize the grantor's interests regardless of beneficiaries
 - C. Disclose only after distributions
 - D. Ignore governing documents
- 9. In which circumstance is a buy-sell agreement not used to transfer a closely held business interest?**
- A. When one of the owners is disabled
 - B. When one of the owners dies
 - C. When one of the owners is legally incapacitated
 - D. When one of the owners retires
- 10. Which factor has a direct bearing on the investments appropriate for achieving a financial goal?**
- A. Investment's alpha
 - B. Investor's time horizon
 - C. Net worth
 - D. Investment's beta

Answers

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

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Explanations

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1. Investors seeking the least risk should acquire stocks with beta coefficients

- A. less than 1.0.**
- B. less than 0.5.
- C. greater than 1.5.
- D. greater than 1.0.

Beta measures a stock's sensitivity to overall market movements, i.e., its systematic risk. A beta of 1 means the stock tends to move with the market; a beta below 1 indicates the stock is less volatile than the market, so it carries less market risk. To seek the least risk relative to the market, you want a beta under 1.0, which describes stocks that are less reactive to market swings. A beta above 1 signals greater volatility and higher risk, so those are not the best for minimizing risk. Keep in mind that even low-beta stocks still have unsystematic risk, which diversification can reduce.

2. Estate tax portability requires timely filing.

- A. True**
- B. False
- C. It requires nothing
- D. It is automatic without forms

Portability hinges on making a timely election for the deceased spouse. The unused federal estate tax exemption that belonged to the first spouse to die can be added to the surviving spouse's exemption, but that only happens if the executor files the deceased spouse's estate tax return to elect portability. That election is made on Form 706 and must be filed by the due date, typically nine months after death, with the possibility of extending the deadline (up to about 15 months) if a timely extension is requested. If the filing isn't timely, the opportunity to transfer the unused exemption is lost in most cases, so portability depends on meeting that deadline.

3. The stage of venture capital that involves beta testing and giving away free samples is known as which stage?

- A. First stage
- B. Seed capital**
- C. Second stage/Expansion capital
- D. Mezzanine stage

The stage being described is the one focused on turning an idea into a testable product and validating demand. Seed capital funds this early development work, including building a prototype, conducting beta testing, and offering free samples to attract initial users and gather feedback. These activities help prove that the concept works in the real world and OKs early product-market fit before scaling or pursuing larger rounds. Later stages—first stage (after there's a working product and some revenue), second stage/expansion (for rapid growth), and mezzanine (late-stage financing closer to an exit)—are more about scaling, expanding operations, and preparing for liquidity rather than early product validation with beta tests and freebies. So seed capital is the best fit for the described activities.

4. Which of the following is not one of the fiduciary duties required under the Standards of Conduct now in place for CFP professionals?

- A. Duty of loyalty
- B. Duty of competency**
- C. Duty of care
- D. Duty to follow client instructions

The key idea here is what counts as a fiduciary duty under the CFP Standards of Conduct. Fiduciary duties require placing the client's interests ahead of the advisor's own and acting with appropriate diligence and obedience to client directions. The duties that fit this description are loyalty (undivided loyalty to the client), care (act with prudence, skill, and diligence), and following client instructions (carry out the client's directions when appropriate). Being competent is essential for giving good advice, and CFP professionals must maintain necessary knowledge and skills through ongoing education. However, competency isn't framed as a fiduciary duty in these standards; it's a baseline professional qualification that supports fulfilling fiduciary duties, not itself one of them.

5. What is a primary risk of not incorporating liquidity planning into a wealth plan?

- A. The risk of forced asset sales at inopportune times, reducing wealth.**
- B. The risk of higher investment returns.
- C. There is no risk.
- D. It guarantees wealth preservation.

Having liquidity planning means making sure there is cash available to cover ongoing expenses, taxes, emergencies, and required withdrawals without having to touch long-term investments. If you skip this, you risk being forced to sell assets at inopportune times—often during market stress or when prices are unfavorable—to meet cash needs. Those forced sales can lock in losses, reduce overall wealth, and disrupt long-term goals. Higher investment returns aren't a direct risk of lacking liquidity, and there's always some risk in any plan—lacking liquidity increases the risk of running short when cash is needed and of failing to preserve wealth over time. It's not about guarantees; it's about reducing the chance of needing to sell at bad moments.

6. What does annual exclusion gifting enable in estate planning?

- A. Automatic qualification for charitable deductions
- B. Immediate elimination of all estate taxes
- C. Gradual transfer of wealth while using the lifetime exemption later**
- D. Deduction for all future gifts

Annual exclusion gifting lets you move wealth to others gradually without quickly dipping into your lifetime gift-tax exemption. Each year you can give up to the annual exclusion amount to any individual without paying gift tax or reduces your lifetime exemption. Because these gifts don't use up the lifetime exemption, you can continue transferring wealth over many years and then use the lifetime exemption later for larger gifts or at death. In other words, it's a way to shift assets over time while preserving the option to apply the lifetime exemption when needed. The other choices aren't accurate because annual exclusions aren't automatic charitable deductions, they don't erase estate taxes, and they aren't a blanket deduction for all future gifts—only gifts up to the annual limit per recipient are sheltered, with anything above that potentially counting against the lifetime exemption.

7. In the wealth allocation framework, which statement about the main diversified assets category is most accurate?

- A. It is typically the smallest portion of the portfolio
- B. It is the largest portion and generally low risk**
- C. It includes only cash and equivalents
- D. It is primarily made up of speculative investments

In a wealth allocation framework, the main diversified assets category acts as the portfolio's backbone, providing a broad balance of growth and risk across asset classes. This core portion is kept large because it anchors the overall risk/return profile with wide market exposure and built in diversification, typically including a mix of equities and fixed income. By spreading across different markets and securities, it reduces idiosyncratic risk and smooths volatility over time, which is why it's the largest portion. Cash and cash equivalents belong in a liquidity layer separate from the main diversified core, since they're prized for stability and immediate access rather than long term growth. Speculative investments, while they can offer upside, carry higher risk and are not the foundation of a diversified core. Therefore, the main diversified assets category being the largest and generally low risk aligns with building a stable, long term base for the portfolio.

8. What is the fiduciary obligation when conflicts of interest arise?

- A. Avoid conflicts of interest and act in the beneficiary's best interests**
- B. Prioritize the grantor's interests regardless of beneficiaries
- C. Disclose only after distributions
- D. Ignore governing documents

When a fiduciary faces a potential conflict of interest, the priority is to avoid that conflict and act in the beneficiary's best interests. Fiduciaries owe loyalty to beneficiaries and must not let personal gains or competing interests influence decisions. If a conflict cannot be avoided, it should be disclosed promptly, and steps should be taken to mitigate it—such as recusal, seeking independent guidance, or obtaining consent when allowed by the governing documents or law. Disclosing conflicts after distributions or ignoring governing documents would undermine trust and fiduciary duties, and prioritizing the grantor's interests over those of the beneficiaries would violate the obligation of loyalty to the beneficiaries.

9. In which circumstance is a buy-sell agreement not used to transfer a closely held business interest?

- A. When one of the owners is disabled
- B. When one of the owners dies
- C. When one of the owners is legally incapacitated**
- D. When one of the owners retires

The main idea is that buy-sell agreements are designed to handle specific, predictable events that end an owner's ability to stay in the business and require a smooth transfer of ownership. These agreements are commonly triggered by death, retirement, or a prolonged disability, with funding often via life or disability insurance to finance the buyout and keep the business stable. When an owner is legally incapacitated, the situation is different. Legal incapacity means a court has determined the person cannot manage their affairs, so a guardian or conservator typically steps in. That process can complicate or override the straightforward execution of a buy-sell transfer, which relies on the owner (or the company/other owners acting under the agreement) being able to complete the purchase under agreed terms. Because of that, legal incapacity isn't treated as a standard trigger in most buy-sell structures, unlike death, retirement, or disability, which are anticipated events with defined mechanisms for a buyout. In short, a buy-sell is set up to trigger on death, retirement, or disability to ensure a controlled transfer, whereas legal incapacity involves broader legal guardianship issues that don't neatly fit the typical buyout process.

10. Which factor has a direct bearing on the investments appropriate for achieving a financial goal?

- A. Investment's alpha
- B. Investor's time horizon**
- C. Net worth
- D. Investment's beta

The most important factor is the investor's time horizon. How long you have until you need the money directly shapes what kinds of investments are appropriate. A long time horizon lets you accept greater short-term volatility in pursuit of higher long-term returns, since you have time to ride out dips and compound gains. A shorter time horizon calls for more capital preservation and liquidity, so safer, lower-volatility assets are typically favored to reduce the chance you'll need to tap funds during a downturn. Metrics like alpha and beta describe performance and market risk characteristics, not whether an investment aligns with a specific goal. Net worth indicates wealth level, which can influence amount available or constraints, but it doesn't directly determine the suitability of investments for a goal. So the time horizon is the primary factor guiding the appropriate investment choices for a goal.

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://awma3.examzify.com>

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

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