

ACCREDITED WEALTH MANAGEMENT ADVISOR PRACTICE EXAM (SAMPLE)

STUDY GUIDE



Prepare with structure. Pass with confidence



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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 entity is NOT involved in the administration of ERISA?**
 - A. Securities and Exchange Commission.
 - B. Department of Labor.
 - C. Pension Benefit Guaranty Corporation.
 - D. Internal Revenue Service.

- 2. What is the income tax result of David's sale of the commercial property?**
 - A. The \$410,000 loss is treated as an ordinary loss, and may be deducted in full against David's ordinary income.
 - B. Of the \$210,000 loss, \$3,000 may be used to offset ordinary income in the current year, and the remainder may be carried forward.
 - C. The \$210,000 loss is treated as a capital loss, and may not offset ordinary income.
 - D. The \$210,000 loss is treated as an ordinary loss, and may be deducted without limit against David's ordinary income.

- 3. What type of investment typically has the highest potential return?**
 - A. Bonds
 - B. Real estate
 - C. Equities (stocks)
 - D. Cash equivalents

- 4. What is the primary concern for an investor in improved land?**
 - A. Reselling the property within three years.
 - B. Cash flow expected to be generated by the property.
 - C. Commissions paid to purchase the property.
 - D. Net income of the investment.

- 5. Which of the following is NOT a component of a comprehensive financial plan?**
 - A. Only focusing on investment strategies
 - B. Risk management strategies
 - C. Retirement planning
 - D. Estate planning

- 6. What does the term "risk-adjusted return" primarily refer to?**
- A. The return achieved relative to the associated risk level.
 - B. The total return regardless of any risks.
 - C. The historical performance of similar assets.
 - D. The average return expected without considering market fluctuations.
- 7. What aspect of wealth preservation is focused on?**
- A. Maximizing investment gains
 - B. Ensuring continuous income generation
 - C. Protecting wealth from potential losses
 - D. Avoiding any debt obligations
- 8. How is net income from an S corporation taxed?**
- A. C corporation tax rates.
 - B. S corporation tax rates.
 - C. Partnership entity tax rate.
 - D. Personal tax rate of the individual shareholders.
- 9. What key documents should be part of a thorough estate plan?**
- A. A business plan, real estate deeds, and tax returns
 - B. A will, power of attorney, health care proxy, and trust documents
 - C. An investment strategy and banking information
 - D. A marriage certificate and employment history
- 10. What amount of Medicare contribution tax must a single taxpayer with an AGI of \$240,000 pay if their net long-term capital gain is \$50,000?**
- A. Unknowable since taxable income has not been provided
 - B. \$1,900
 - C. \$0
 - D. \$1,520

Answers

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

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Explanations

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1. Which entity is NOT involved in the administration of ERISA?

- A. Securities and Exchange Commission.**
- B. Department of Labor.
- C. Pension Benefit Guaranty Corporation.
- D. Internal Revenue Service.

The Securities and Exchange Commission (SEC) is not involved in the administration of the Employee Retirement Income Security Act (ERISA). ERISA is a federal law that sets standards for retirement and health benefit plans in the private industry, primarily to protect the interests of employee benefit plan participants and their beneficiaries. The Department of Labor plays a crucial role in enforcing the provisions of ERISA, ensuring that employee benefit plans comply with the laws regarding reporting, disclosure, and fiduciary responsibilities. The Pension Benefit Guaranty Corporation (PBGC) is another key player; it protects retirement incomes by providing insurance for certain defined benefit pension plans and stepping in when plans fail. The Internal Revenue Service (IRS) is also involved, as it oversees the tax-related aspects of retirement plans, such as contributions, distributions, and qualification requirements. In contrast, the SEC primarily regulates the securities industry and enforces securities laws, which are distinct from the regulations governing employee benefit plans under ERISA. Therefore, it is not an entity that administers or enforces ERISA-related regulations.

2. What is the income tax result of David's sale of the commercial property?

- A. The \$410,000 loss is treated as an ordinary loss, and may be deducted in full against David's ordinary income.
- B. Of the \$210,000 loss, \$3,000 may be used to offset ordinary income in the current year, and the remainder may be carried forward.
- C. The \$210,000 loss is treated as a capital loss, and may not offset ordinary income.
- D. The \$210,000 loss is treated as an ordinary loss, and may be deducted without limit against David's ordinary income.**

The income tax result of David's sale of the commercial property involves the treatment of the loss incurred from the sale. When a commercial property is sold at a loss, the nature of that loss is significant in determining how it can be used for tax purposes. In this case, if the loss is classified as an ordinary loss rather than a capital loss, it provides a more favorable tax treatment. Ordinary losses can be deducted in full against ordinary income without any limitation, allowing David to reduce his taxable income significantly. This aspect is vital because it permits the taxpayer to recover the full amount of the loss against other forms of income, which can be beneficial in lowering the overall tax burden. The correct classification of a loss from the sale of commercial property is often determined by the nature of the property and the context of the sale. Since the question indicates that the loss is treated as an ordinary loss, it signifies that the property was used in a trade or business activities, thus enabling it to be fully deductible against David's ordinary income. This option stands out as it directly correlates with the taxation rules governing loss deductions for properties used in a business, emphasizing the advantage of deducting the entire amount without any restrictions.

3. What type of investment typically has the highest potential return?

- A. Bonds
- B. Real estate
- C. Equities (stocks)
- D. Cash equivalents

Equities, often referred to as stocks, typically have the highest potential return among the various types of investments listed. This is primarily due to the nature of stocks, which provide investors with ownership stakes in companies. Over the long term, historically, equities have outperformed other asset classes such as bonds, real estate, and cash equivalents in terms of growth. The ability of stocks to offer substantial returns is driven by several factors, including company performance, economic growth, and market demand. When companies grow and generate profits, the value of their stocks tends to increase, leading to capital appreciation. Additionally, stocks may provide income through dividends, enhancing their overall return profile. Investing in equities entails a higher level of risk compared to other asset classes. This is because stock prices can be volatile and influenced by market fluctuations, economic conditions, and other external factors. However, investors who can tolerate this risk and maintain a long-term investment horizon may gain significant rewards, making equities a favored choice for those seeking higher potential returns. In contrast, bonds tend to offer lower returns due to their fixed-income nature, while real estate can provide moderate returns and cash equivalents generally yield very low returns primarily aimed at preserving capital.

4. What is the primary concern for an investor in improved land?

- A. Reselling the property within three years.
- B. Cash flow expected to be generated by the property.
- C. Commissions paid to purchase the property.
- D. Net income of the investment.

The primary concern for an investor in improved land typically revolves around the cash flow expected to be generated by the property. Cash flow is crucial for assessing the profitability and sustainability of the investment. Investors generally seek to understand how much income the property will generate through rentals, leases, or other income-generating activities that can impact their returns. By focusing on cash flow, investors can evaluate their ability to cover expenses, including taxes, maintenance, and any debt service on the property. This understanding is instrumental in determining whether holding the investment aligns with their financial goals. Other options, while relevant to property investment considerations, do not hold the same level of direct significance. For instance, the potential for reselling the property within a short period could introduce more speculative elements and risks than an emphasis on consistent cash flow. Commissions are a cost associated with acquiring the property but do not directly relate to its operational performance. Similarly, while net income is an important figure, it is often influenced by cash flow measurements and does not reflect the real-time financial performance as comprehensively as cash flow projections do.

5. Which of the following is NOT a component of a comprehensive financial plan?

A. Only focusing on investment strategies

B. Risk management strategies

C. Retirement planning

D. Estate planning

A comprehensive financial plan encompasses various elements designed to provide a well-rounded approach to managing a client's financial future. Among these components, risk management strategies, retirement planning, and estate planning play crucial roles in ensuring that an individual's financial goals are met in a reliable and structured manner. Focusing solely on investment strategies does not take into account the breadth of factors that influence a person's financial well-being. A comprehensive financial plan should include risk management to protect assets against unforeseen events, retirement planning to ensure financial security in later years, and estate planning to manage the distribution of assets according to an individual's wishes. Therefore, concentrating exclusively on investment strategies neglects the necessary holistic view that a comprehensive financial plan requires.

6. What does the term "risk-adjusted return" primarily refer to?

A. The return achieved relative to the associated risk level.

B. The total return regardless of any risks.

C. The historical performance of similar assets.

D. The average return expected without considering market fluctuations.

The term "risk-adjusted return" primarily refers to the return achieved relative to the associated risk level. This concept is crucial in investment management because it provides a more nuanced view of an investment's performance by factoring in the amount of risk taken to achieve that return. For example, two investments may yield the same total return, but if one involves significantly more risk than the other, the risk-adjusted return will show that the higher-risk investment may not be as attractive as it initially appears. Investors often seek to maximize their risk-adjusted returns, focusing on not just the absolute returns, but also how much risk they are assuming to earn those returns. This approach helps ensure that decision-making is aligned with the investor's risk tolerance and overall investment objectives. In contrast, the other options speak to different characteristics of investments that do not incorporate the critical element of risk in the context of returns. Absolute returns and historical performance without risk consideration do not provide a clear picture of the effectiveness of an investment strategy as they can be misleading when evaluating the desirability of an investment.

7. What aspect of wealth preservation is focused on?

- A. Maximizing investment gains
- B. Ensuring continuous income generation
- C. Protecting wealth from potential losses**
- D. Avoiding any debt obligations

Wealth preservation is fundamentally concerned with protecting an individual's or family's assets against potential losses, thereby ensuring that their financial standing remains secure over time. This aspect is critical because it acknowledges various risks that could threaten accumulated wealth, such as market fluctuations, economic downturns, inflation, and unforeseen personal circumstances. By focusing on strategies to safeguard assets—like diversification, insurance, and risk management techniques—wealth preservation aims to maintain the overall value of one's investments while minimizing exposure to various financial threats. Maximizing investment gains, while important, does not align directly with the primary objective of wealth preservation, which prioritizes loss protection over gain maximization. Ensuring continuous income generation is more about cash flow needs than preserving wealth itself. Avoiding any debt obligations may contribute to an individual's financial health but does not necessarily encompass the broader goal of protecting total wealth from market or economic risk. Thus, the focus of wealth preservation specifically lies in shielding assets from potential losses.

8. How is net income from an S corporation taxed?

- A. C corporation tax rates.
- B. S corporation tax rates.
- C. Partnership entity tax rate.
- D. Personal tax rate of the individual shareholders.**

Net income from an S corporation is taxed at the personal tax rate of the individual shareholders. This is due to the nature of S corporations, which are classified as pass-through entities for tax purposes. This means that the income generated by the S corporation is not taxed at the corporate level. Instead, the income is passed through to the shareholders, who report it on their personal tax returns. Each shareholder pays tax on their share of the S corporation's income at their individual tax rates, which can vary based on their overall taxable income and tax bracket. This structure allows for potentially lower overall tax liability compared to a C corporation, where profits are taxed at the corporate level and may also be subjected to taxation when distributed as dividends to shareholders. Thus, option D accurately reflects the taxation process for individual shareholders of an S corporation.

9. What key documents should be part of a thorough estate plan?

- A. A business plan, real estate deeds, and tax returns
- B. A will, power of attorney, health care proxy, and trust documents**
- C. An investment strategy and banking information
- D. A marriage certificate and employment history

A thorough estate plan is essential for individuals to ensure that their assets are distributed according to their wishes after they pass away, and it also provides guidance for health care decisions if they become incapacitated. The correct components of an estate plan include a will, which outlines how a person's assets should be distributed, a power of attorney, which designates someone to make financial decisions on behalf of the person, a health care proxy, which appoints someone to make medical decisions, and trust documents, which can help manage the distribution of assets in a more controlled manner, potentially avoiding probate. These documents work together to provide a comprehensive legal framework that not only facilitates the distribution of assets but also addresses issues related to health care and financial management during a person's lifetime or after their death. This holistic approach helps individuals and families navigate complex situations that may arise in estate management. In contrast, the other choices include documents that are not essential to a typical estate plan. For example, a business plan and tax returns might be important for financial planning but do not specifically contribute to distributing personal assets or addressing health care decisions. Similarly, investment strategies and banking information, while crucial for managing finances, do not inherently relate to estate planning. Lastly, a marriage certificate and employment history

10. What amount of Medicare contribution tax must a single taxpayer with an AGI of \$240,000 pay if their net long-term capital gain is \$50,000?

- A. Unknowable since taxable income has not been provided
- B. \$1,900
- C. \$0
- D. \$1,520**

To determine the amount of Medicare contribution tax applicable to a single taxpayer with an adjusted gross income (AGI) of \$240,000 and a net long-term capital gain of \$50,000, it's important to understand how the tax is calculated. The Medicare contribution tax, also known as the Net Investment Income Tax (NIIT), applies to single taxpayers with AGI exceeding \$200,000. The tax is assessed at a rate of 3.8% on the lesser of either the net investment income or the amount by which AGI exceeds the threshold. In this scenario, the taxpayer's AGI of \$240,000 exceeds the \$200,000 threshold by \$40,000. The net investment income, which includes long-term capital gains, is \$50,000. Since the \$40,000 excess AGI is less than the \$50,000 in net investment income, the tax is based on the \$40,000. Calculating the Medicare contribution tax involves taking 3.8% of the \$40,000: $3.8\% \text{ of } \$40,000 = \$1,520$. Therefore, the correct total Medicare contribution tax that the taxpayer must pay is \$1,520. This reflects the calculation based

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://accreditedwealthmanagementadvisor.examzify.com>

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

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