

ACCREDITED WEALTH MANAGEMENT ADVISOR PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR
THE FULL VERSION STUDY GUIDE

[https://
accreditedwealthmanagementadvisor.examzify.com](https://accreditedwealthmanagementadvisor.examzify.com)



Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

Notice: Examzify makes every reasonable effort to obtain accurate, complete, and timely information about this product from reliable sources.

SAMPLE

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	16

SAMPLE

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

SAMPLE

- 1. How can inflation be effectively managed in an investment portfolio?**
 - A. By investing solely in stocks
 - B. By including assets that typically increase in value during inflationary periods
 - C. By having a cash-heavy portfolio
 - D. By investing in international currencies
- 2. What is the difference between "active" and "passive" investment management?**
 - A. Active management avoids all risks, whereas passive accepts all
 - B. Active management seeks to replicate market benchmarks, passive aims to outperform
 - C. Active management involves frequent trading, while passive seeks to replicate market benchmarks
 - D. Active management requires less knowledge than passive management
- 3. What advantage does goals-based planning offer clients?**
 - A. The client will diligently watch the market's ups and downs.
 - B. The client can direct investments for the highest returns possible.
 - C. The client will create goals and be engaged in meeting those goals.
 - D. The client can leave goal monitoring solely to the adviser.
- 4. What are "alternative investments"?**
 - A. Investments in government securities only
 - B. Investments outside of traditional stocks, bonds, or cash
 - C. Investments made only in technology companies
 - D. Investments that guarantee fixed returns
- 5. Which of the following is a benefit of having a health care proxy?**
 - A. It guarantees the highest quality medical care
 - B. It allows someone to make medical decisions on your behalf
 - C. It allocates financial resources for health care
 - D. It simplifies estate tax filings

- 6. What does the term “wealth preservation” refer to?**
- A. Strategies aimed at increasing an individual's income
 - B. Strategies aimed at protecting an individual's wealth from loss or depletion
 - C. Strategies to accumulate wealth quickly
 - D. Strategies for tax evasion
- 7. 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.
- 8. Which statement regarding hedge funds and their characteristics is the most accurate?**
- A. Hedge funds seek to profit from market inefficiencies.
 - B. Hedge funds attempt to beat a benchmark.
 - C. Hedge funds can use leverage, but are limited to 10 times their asset base.
 - D. Hedge funds are often as diversified as mutual funds.
- 9. What is a distinguishing feature of a Section 2503(c) trust compared to a support trust?**
- A. The gift tax annual exclusion is available for transfers to a Section 2503(c) trust, but is not available for a support trust.
 - B. A support trust must distribute assets to the beneficiary by age 21, while a Section 2503(c) trust may continue indefinitely.
 - C. Gifts to a support trust are present interests, while gifts to a Section 2503(c) trust are future interests.
 - D. A support trust is revocable, while a Section 2503(c) trust is irrevocable.
- 10. What is the correct calculation for Jensen's alpha of a fund that returned 14% with a beta of 1.1, given a risk-free rate of 4% and a market return of 12%?**
- A. 9.1
 - B. 6.0
 - C. 1.2
 - D. 2.0

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. How can inflation be effectively managed in an investment portfolio?

- A. By investing solely in stocks
- B. By including assets that typically increase in value during inflationary periods**
- C. By having a cash-heavy portfolio
- D. By investing in international currencies

Effective management of inflation within an investment portfolio typically involves including assets that historically tend to increase in value during inflationary periods. When inflation rises, the purchasing power of money decreases; thus, investments that can provide a hedge against inflation become essential. Assets such as real estate, commodities (like gold and oil), and certain types of bonds (such as inflation-linked bonds or TIPS) can help preserve or even increase value as prices rise. These assets respond positively to inflation because their prices tend to rise, allowing investors to maintain their real purchasing power. Including such assets in a portfolio can enhance its resilience against inflation, making it a key strategy for effective inflation management. In contrast, investing solely in stocks doesn't guarantee protection against inflation, as not all companies can pass on rising costs to consumers. A cash-heavy portfolio would likely suffer because cash tends to lose value in real terms during inflation. While investing in international currencies might seem like a strategy to shield against domestic inflation, it does not directly address the issue of inflation in an investor's home economy. Therefore, the most effective approach involves diversifying into assets that have demonstrated performance during inflationary environments.

2. What is the difference between "active" and "passive" investment management?

- A. Active management avoids all risks, whereas passive accepts all
- B. Active management seeks to replicate market benchmarks, passive aims to outperform
- C. Active management involves frequent trading, while passive seeks to replicate market benchmarks**
- D. Active management requires less knowledge than passive management

Active investment management is characterized by a strategy where managers make frequent trades to capitalize on market inefficiencies and to attempt to outperform market indices. This approach involves a higher level of research, analysis, and decision-making, as managers actively choose which securities to buy and sell based on their expectations of price movement. On the other hand, passive investment management focuses on replicating the performance of a market index or benchmark rather than trying to outperform it. This strategy typically involves holding a fixed portfolio over time and making fewer trades, which often leads to lower costs and reduced transaction fees, as it avoids the ongoing alterations associated with active management. The distinction highlights how active managers seek to achieve higher returns through tactical decisions, while passive managers aim to achieve market returns with minimal changes to their portfolios. Understanding this fundamental difference helps investors recognize the differing approaches and philosophies behind each investment strategy.

3. What advantage does goals-based planning offer clients?

- A. The client will diligently watch the market's ups and downs.
- B. The client can direct investments for the highest returns possible.
- C. The client will create goals and be engaged in meeting those goals.**
- D. The client can leave goal monitoring solely to the adviser.

Goals-based planning provides clients with a framework that actively engages them in their financial journey by helping them define specific objectives and aspirations. This method encourages clients to conceptualize their financial goals in tangible terms, such as saving for retirement, purchasing a home, funding a child's education, or planning for vacations. By focusing on what they truly want to achieve, clients become more invested in the process of reaching those goals. When clients are involved in setting and understanding their financial goals, they tend to develop a clearer sense of purpose regarding their investments and savings strategies. This engagement often leads to increased motivation and accountability, fostering a stronger commitment to following through on their financial plans. As a result, clients may be more likely to make informed decisions and stay aligned with their long-term objectives, rather than merely reacting to market fluctuations or chasing the highest returns. In contrast, other options do not emphasize the importance of client involvement in the planning process. Watching the market's movements or directing investments solely for high returns lacks the personalized engagement that goals-based planning fosters. Additionally, relying entirely on an adviser for monitoring goals undermines the foundational aspect of active participation and understanding that goals-based planning promotes.

4. What are "alternative investments"?

- A. Investments in government securities only
- B. Investments outside of traditional stocks, bonds, or cash**
- C. Investments made only in technology companies
- D. Investments that guarantee fixed returns

Alternative investments refer to asset classes that fall outside the traditional categories of stocks, bonds, and cash. These can include a variety of investment vehicles such as real estate, hedge funds, private equity, commodities, and collectibles. The significance of alternative investments lies in their potential to provide diversification benefits and reduce overall portfolio risk, especially since they often have different performance patterns compared to traditional investments. By investing in alternatives, investors may access unique opportunities and potentially higher returns, although they often come with higher risks and less liquidity. The definition explicitly excludes investments that are confined to more conventional assets, such as government securities, or those that promise fixed returns. This broad categorization helps investors understand the expansive nature of investment possibilities beyond standard market offerings.

5. Which of the following is a benefit of having a health care proxy?

- A. It guarantees the highest quality medical care
- B. It allows someone to make medical decisions on your behalf**
- C. It allocates financial resources for health care
- D. It simplifies estate tax filings

Having a health care proxy provides the significant benefit of allowing a designated individual to make medical decisions on your behalf when you are unable to do so yourself. This means that if you are incapacitated, the person you appointed can interpret your wishes regarding treatments, procedures, and end-of-life care according to your preferences. This can provide peace of mind, knowing that someone you trust is advocating for your medical needs in line with your values and desires. The other options do not accurately capture the primary purpose of a health care proxy. While ensuring high-quality medical care is important, a health care proxy does not guarantee this; rather, it helps in ensuring that care is consistent with your wishes. Allocating financial resources for health care and simplifying estate tax filings involve financial planning and legal considerations, which are not directly related to the role of a health care proxy.

6. What does the term “wealth preservation” refer to?

- A. Strategies aimed at increasing an individual's income
- B. Strategies aimed at protecting an individual's wealth from loss or depletion**
- C. Strategies to accumulate wealth quickly
- D. Strategies for tax evasion

Wealth preservation refers to strategies that are designed to protect an individual's wealth from loss or depletion. This concept emphasizes the importance of safeguarding assets from various risks, such as market volatility, inflation, and unnecessary taxation. Wealth preservation is crucial for individuals who have accumulated wealth and want to ensure that it remains intact for their future needs and the benefit of their heirs. This involves a variety of strategies, such as diversifying investments, utilizing insurance products, estate planning, and incorporating legal structures like trusts to shield assets from creditors and taxes. By focusing on preserving wealth, individuals can maintain their financial stability and security over the long term. The other options, although related to financial management, do not accurately reflect the essence of wealth preservation. Increasing income or rapidly accumulating wealth might involve taking risks that could jeopardize existing assets. Similarly, strategies for tax evasion are illegal and do not align with the ethical approach associated with wealth preservation. Thus, the emphasis on protecting wealth is what makes the correct answer distinct and relevant.

7. 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.

8. Which statement regarding hedge funds and their characteristics is the most accurate?

- A. Hedge funds seek to profit from market inefficiencies.**
- B. Hedge funds attempt to beat a benchmark.
- C. Hedge funds can use leverage, but are limited to 10 times their asset base.
- D. Hedge funds are often as diversified as mutual funds.

Hedge funds are designed to identify and capitalize on market inefficiencies, which is a defining characteristic of their investment approach. This typically involves employing various strategies that can include short selling, arbitrage, and using complex financial instruments like derivatives. The aim is to generate returns that are not solely reliant on market movements, allowing them to potentially profit even during down markets or when traditional investments underperform. While hedge funds may indeed attempt to outperform specific benchmarks, their primary focus on exploiting inefficiencies is what truly distinguishes them from more conventional investment vehicles. In terms of leverage, hedge funds can use it extensively, often far beyond 10 times their asset base, thereby increasing both potential returns and risks. Additionally, hedge funds usually have more concentrated portfolios compared to mutual funds, which are legally required to be diversified. This concentration further highlights their strategies aimed at specific opportunities rather than a broad diversification approach. These characteristics together affirm that hedge funds primarily seek to benefit from discrepancies and inefficiencies in the market, making the accurate statement regarding their distinguishing features the assertion that they seek to profit from market inefficiencies.

9. What is a distinguishing feature of a Section 2503(c) trust compared to a support trust?

- A. The gift tax annual exclusion is available for transfers to a Section 2503(c) trust, but is not available for a support trust.
- B. A support trust must distribute assets to the beneficiary by age 21, while a Section 2503(c) trust may continue indefinitely.
- C. Gifts to a support trust are present interests, while gifts to a Section 2503(c) trust are future interests.
- D. A support trust is revocable, while a Section 2503(c) trust is irrevocable.

A Section 2503(c) trust is specifically designed to qualify for the gift tax annual exclusion, allowing transfers into the trust to be excluded from the donor's taxable gifts up to the annual exclusion limit. This is significant because it enables individuals to make gifts without incurring a gift tax liability, making it an attractive option for individuals looking to provide for a child's future. The main characteristic that distinguishes a Section 2503(c) trust from a support trust is centered around the treatment of contributions and distributions. In a Section 2503(c) trust, the beneficiary must have the right to withdraw the assets or income from the trust when they reach the age of 21. Until that age, the trust can hold the funds without needing to distribute them, effectively providing flexibility in the management of the assets for the beneficiary's benefit. In contrast, a support trust is typically designed to make distributions only for the beneficiary's health, education, maintenance, or support, without an explicit age threshold for distribution like that of the Section 2503(c) trust. Therefore, the distinguishing feature highlighted in the correct choice emphasizes the gift tax implications and the eligibility for the annual exclusion due to the structure of the Section 2503(c) trust. The other options

10. What is the correct calculation for Jensen's alpha of a fund that returned 14% with a beta of 1.1, given a risk-free rate of 4% and a market return of 12%?

- A. 9.1
- B. 6.0
- C. 1.2
- D. 2.0

To calculate Jensen's alpha, the formula is: Jensen's Alpha = Actual Return - [Risk-Free Rate + Beta × (Market Return - Risk-Free Rate)] In this scenario: - The actual return of the fund is 14% - The risk-free rate is 4% - The beta of the fund is 1.1 - The market return is 12% First, we calculate the expected return using the Capital Asset Pricing Model (CAPM): 1. Calculate the market premium: Market Return - Risk-Free Rate = 12% - 4% = 8% 2. Multiply the market premium by the beta: 1.1 × 8% = 8.8% 3. Add the risk-free rate to this product: 4% + 8.8% = 12.8% Now we can determine Jensen's alpha: Actual Return (14%) - Expected Return (12.8%) = 14% - 12.8% = 1.2% Thus, Jensen's alpha is 1.2%. This signifies that the fund performed better than what was expected given its risk and the market performance. This is evidence of the fund manager's ability to generate excess returns over

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!

SAMPLE