Certified Employee Benefit Specialist (CEBS) Retirement Plans Associate (RPA) 2 Practice Exam (Sample)

Study Guide

Everything you need from our exam experts!

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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.

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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!

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Questions

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1. How many elements define an investment advisor under the Advisors Act?

- **A. One**
- **B. Two**
- **C. Three**
- **D. Four**

2. Which feature is typical of defined benefit hybrid plans?

- **A. Promise a specific benefit level for participants**
- **B. Eliminate the need for employer contributions**
- **C. Require participants to choose their investments**
- **D. Guarantee a fixed payout regardless of performance**

3. What approach does a passive investment strategy take?

- **A. Actively manages stock selection**
- **B. Focuses on short-term market movements**
- **C. Aims to replicate market index returns**
- **D. Regularly adjusts to market conditions**

4. Why do pension plans choose mutual funds?

- **A. To minimize their expenses significantly**
- **B. For better liquidity and diversification**
- **C. To invest exclusively in growth stocks**
- **D. To avoid checking past performance**

5. What is the maturity range for certificates of deposit typically issued by commercial banks?

- **A. Over ten years**
- **B. Five to ten years**
- **C. 90 days to one year**
- **D. One to five years**

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6. More recent studies on diversification indicate the need for how many stocks?

A. 20-30 stocks

B. 30-40 stocks

C. 50-60 stocks

D. 70-80 stocks

7. Which department is responsible for the jurisdiction and administration of IRC tax law provisions?

A. Department of Labor

B. Federal Reserve

C. Internal Revenue Service

D. Social Security Administration

8. When using a stochastic model, what do repeated iterations help to assess?

A. Fixed outcomes and strategies

B. Variability of outcomes and probabilities of success

C. A single best outcome for financial decisions

D. Only failure of financial models

9. A Defined Contribution Hybrid Plan primarily combines which two plan structures?

A. Only defined benefit and traditional pension plans

B. Defined contribution and attributes of a defined benefit plan

C. Defined benefit and stock ownership plans

D. Only cash balance plans and insurance products

10. Which of the following describes a fixed annuity?

A. Payments fluctuate based on market performance

B. Provides a stable lifetime income once established

C. Higher risk with potential for significant gains

D. Payments are determined by the annuitant's age

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Answers

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

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Explanations

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1. How many elements define an investment advisor under the Advisors Act?

A. One

B. Two

C. Three

D. Four

An investment advisor under the Investment Advisers Act of 1940 is defined by three key elements. These elements help establish the responsibilities and obligations that an individual or entity must uphold to be classified as an investment advisor. Firstly, the advisor must provide advice or make recommendations regarding securities. This ensures that there is an advisory relationship focusing on the investment decisions involving financial assets. Secondly, the advisor is compensated for providing these services. This aspect delineates professionals who are offering guidance as a core part of their business model, distinguishing them from those who may give sporadic or non-compensated advice. Lastly, the advisor must engage in the business of providing investment advice. This means that the individual or firm must regularly partake in making recommendations or advice, rather than doing so infrequently or incidentally. The combination of these three elements forms the comprehensive definition of what it means to be an investment advisor, thereby clarifying regulatory requirements and expectations for those providing such services. Understanding these components is crucial for anyone working within the sphere of investment management and compliance.

2. Which feature is typical of defined benefit hybrid plans?

A. Promise a specific benefit level for participants

B. Eliminate the need for employer contributions

C. Require participants to choose their investments

D. Guarantee a fixed payout regardless of performance

Defined benefit hybrid plans typically combine elements of traditional defined benefit plans with features of defined contribution plans. The key characteristic of these plans is that they promise a specific benefit level for participants, which is determined by a predetermined formula, often based on factors like salary and years of service. This promise of a defined benefit distinguishes hybrid plans from purely defined contribution plans, where benefits are based on individual account balances and investment performance. In contrast to the other features mentioned, eliminating the need for employer contributions is not characteristic of any retirement plan, as employer contributions are fundamental to funding the promised benefits. Requiring participants to choose their investments is more aligned with the structure of defined contribution plans, where individual investment choices are a central feature. Lastly, guaranteeing a fixed payout regardless of performance is a hallmark of traditional defined benefit plans but does not align with the investment strategies typically seen in hybrid plans, which may incorporate elements subject to market performance in certain aspects. Thus, the defining feature of hybrid plans remains the promise of a specific benefit level, aligning closely with traditional defined benefit plans.

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3. What approach does a passive investment strategy take?

A. Actively manages stock selection

B. Focuses on short-term market movements

C. Aims to replicate market index returns

D. Regularly adjusts to market conditions

A passive investment strategy is characterized by its goal of replicating the performance of a specific market index rather than attempting to outperform it through active stock selection or frequent trading. This strategy often involves investing in a broad range of securities that comprise a chosen index, such as the S&P 500, thereby mirroring its composition and overall performance. The rationale behind this approach is grounded in the efficient market hypothesis, which suggests that it is challenging to consistently outperform the market due to the availability of information and the speed at which it is incorporated into stock prices. In contrast to active strategies that engage in frequent buying and selling based on market conditions or individual stock performance, a passive strategy typically involves a buy-and-hold approach with minimal adjustments. This focus on replicating market index returns allows investors to benefit from the general growth of the market over time while often incurring lower transaction costs and management fees than actively managed funds. This makes passive investing a popular choice for many investors seeking long-term growth with a lower risk profile associated with trying to time the market or pick winning stocks.

4. Why do pension plans choose mutual funds?

A. To minimize their expenses significantly

B. For better liquidity and diversification

C. To invest exclusively in growth stocks

D. To avoid checking past performance

Pension plans choose mutual funds primarily for better liquidity and diversification. Mutual funds pool money from multiple investors to purchase a broad portfolio of assets. This structure allows pension plans to access a wider range of investment options than they might if they were investing directly in individual securities. Liquidity is crucial for pension plans as they need to be able to meet their obligations to participants, such as benefit payments. Mutual funds typically allow for day-to-day trading, providing the necessary flexibility to manage cash flows effectively. Diversification is another significant advantage. By investing in mutual funds, pension plans can spread their investments across various asset classes, sectors, and geographic regions, which helps mitigate the risk associated with relying on a small number of investments. A well-diversified portfolio can enhance the potential for returns while reducing volatility, aligning with the long-term goals of pension fund management. In contrast to the other options, while minimizing expenses can be a consideration in investment decisions, it is not the primary reason for choosing mutual funds. Investing exclusively in growth stocks is too narrow a strategy for pension funds, which typically aim for balanced portfolios. Additionally, avoiding checking past performance contradicts prudent investment principles, as evaluating historical performance is a key part of assessing potential investments.

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5. What is the maturity range for certificates of deposit typically issued by commercial banks?

A. Over ten years

B. Five to ten years

C. 90 days to one year

D. One to five years

The typical maturity range for certificates of deposit (CDs) issued by commercial banks is generally between 90 days to one year. This timeframe is popular among investors who are looking for a secure, low-risk investment with fixed returns. CDs offer a way to earn interest over a defined period, and the shorter maturity options are particularly attractive to individuals who may not want to lock in their funds for an extended time. While CDs can be issued for longer maturities, such as one to five years or beyond, these lengths are less common for the standard offerings presented by banks. The 90 days to one year range balances liquidity and return, appealing to many savers who seek to safeguard their capital while benefiting from higher interest rates compared to traditional savings accounts. Understanding the common maturity ranges can help stakeholders make informed decisions about where to allocate their financial resources based on their liquidity needs and risk tolerance.

6. More recent studies on diversification indicate the need for how many stocks?

A. 20-30 stocks

B. 30-40 stocks

C. 50-60 stocks

D. 70-80 stocks

The correct answer highlights that a portfolio of 50-60 stocks is generally recommended for optimal diversification. This range stems from research indicating that holding around 30 stocks can mitigate unsystematic risk effectively; however, as the studies progressed, many experts found that increasing the number of stocks further enhances diversification benefits. By having 50-60 stocks, investors can better spread their exposure across different sectors and industries, reducing the impact of volatility from any single stock. This number allows for a balance where investors can capture a substantial portion of the market's overall performance while minimizing the risks associated with individual securities. Moreover, a portfolio within this range tends to also account for the potential correlations between different stocks, providing a more resilient investment strategy. Thus, 50-60 stocks represent a well-supported position for achieving a strong balance between risk and return in a diversified investment portfolio.

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7. Which department is responsible for the jurisdiction and administration of IRC tax law provisions?

A. Department of Labor

B. Federal Reserve

C. Internal Revenue Service

D. Social Security Administration

The Internal Revenue Service (IRS) is responsible for the jurisdiction and administration of the tax law provisions outlined in the Internal Revenue Code (IRC). The IRC is the set of federal tax laws in the United States, and the IRS serves as the federal agency tasked with implementing and enforcing these laws. This includes overseeing the collection of taxes, administering tax laws, and ensuring compliance among individuals and businesses. The IRS plays a critical role in interpreting tax regulations and providing guidance to taxpayers, including how tax laws relate to employee benefits and retirement plans. This jurisdiction entails managing various aspects of taxation, including income tax, corporate tax, and employment tax, which directly affects how employee benefit plans comply with federal tax requirements. In contrast, while the Department of Labor, Federal Reserve, and Social Security Administration have important functions related to labor regulations, monetary policy, and social insurance programs respectively, their responsibilities do not encompass the administration of tax law provisions under the IRC. The Department of Labor is focused on overseeing labor standards and wages, the Federal Reserve manages the nation's monetary policy and banking system, and the Social Security Administration administers social security benefits rather than tax laws. Thus, the IRS is the appropriate authority for this question regarding IRC tax law.

8. When using a stochastic model, what do repeated iterations help to assess?

A. Fixed outcomes and strategies

B. Variability of outcomes and probabilities of success

C. A single best outcome for financial decisions

D. Only failure of financial models

Repeated iterations in a stochastic model are designed to evaluate the variability of outcomes and assess the probabilities of success under uncertain conditions. Stochastic models incorporate randomness and allow analysts to simulate different scenarios by varying inputs or assumptions, which reflects the real-world complexities faced in financial planning and retirement strategies. By running these iterations, one can generate a distribution of potential outcomes rather than a singular fixed outcome. This approach provides critical insights into how likely a particular financial goal is to be achieved given the inherent uncertainty in factors such as market returns, interest rates, and other economic variables. The results allow for a better understanding of risks and the likelihood of success over various time frames, making them instrumental in informed decision-making. This focus on variability and probability is essential for financial practitioners who need to advise clients on retirement plans, ensuring they have a well-rounded perspective on potential financial futures rather than relying on fixed scenarios that might not represent reality.

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9. A Defined Contribution Hybrid Plan primarily combines which two plan structures?

A. Only defined benefit and traditional pension plans

B. Defined contribution and attributes of a defined benefit plan

C. Defined benefit and stock ownership plans

D. Only cash balance plans and insurance products

A Defined Contribution Hybrid Plan primarily combines features of a defined contribution plan and attributes of a defined benefit plan. This type of plan can provide individuals with the potential for a predictable retirement benefit similar to that offered by a defined benefit plan while still allowing for contributions to be made into individual accounts, as seen in defined contribution plans. The hybrid model typically embodies the risk-sharing characteristics of defined benefit plans, which provide guaranteed payouts based on a formula that often considers factors such as salary history and years of service. However, it also incorporates the flexibility and individual account features of defined contribution plans, where employees have control over investment choices and account management. This combination can help accommodate changing workforce demographics and preferences, making it a versatile option for both employers and employees. The focus on an employee's own contribution and investment choices helps align with modern retirement planning needs.

10. Which of the following describes a fixed annuity?

A. Payments fluctuate based on market performance

B. Provides a stable lifetime income once established

C. Higher risk with potential for significant gains

D. Payments are determined by the annuitant's age

A fixed annuity is characterized by providing a stable lifetime income once established, making the selection of this option accurate. In a fixed annuity, the insurer guarantees periodic payments that do not change over time, regardless of market conditions. This stability is appealing for individuals seeking predictability in their retirement income, as it allows for effective financial planning without the worry of fluctuating payments. The other choices do not accurately represent the nature of a fixed annuity. For instance, fluctuating payments based on market performance describes variable annuities, which are subject to investment risk. Higher risk with potential for significant gains pertains to investment vehicles that involve market exposure, which is not applicable to fixed annuities. Lastly, payments determined by the annuitant's age may apply to certain types of annuities, but fixed annuities specifically guarantee a set payment amount rather than linking it directly to age. This emphasis on stability and guaranteed income is what makes option B the correct description of a fixed annuity.

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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://cebsrpa2.examzify.com

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

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