

CERTIFIED EMPLOYEE BENEFIT SPECIALIST (CEBS) RETIREMENT PLANS ASSOCIATE (RPA) 2 PRACTICE EXAM (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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THE FULL VERSION STUDY GUIDE**

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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. What is an immediate life annuity designed to do?**
 - A. Provide substantial growth over time
 - B. Offer a single payment upon retirement
 - C. Convert a lump sum into ongoing income for life
 - D. Provide a flexible payment structure
- 2. Which risk could potentially hurt a firm's ability to pay interest or dividends?**
 - A. Market risk
 - B. Interest rate risk
 - C. Business risk
 - D. Purchasing power risk
- 3. Which option describes the purpose of annuity payment options?**
 - A. To provide variable income based on market performance
 - B. To guarantee lifetime income through a plan or insurer
 - C. To offer a fixed payment only during retirement
 - D. To provide payments based on equity investments
- 4. 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
- 5. New comparability plans allow plan sponsors to do what with participant contributions?**
 - A. Distribute equally across all employees
 - B. Provide larger contributions to select participant groups
 - C. Limit contributions to minimum legal requirements
 - D. Allocate funds exclusively based on years of service

- 6. What does an increase in interest rates typically signify for long-term bonds?**
- A. Increased value
 - B. No effect on value
 - C. Decreased value
 - D. Stability in value
- 7. Which statement is accurate regarding co-fiduciary responsibilities under ERISA?**
- A. A fiduciary cannot be liable for the actions of another
 - B. Knowledge of a breach mandates action
 - C. Co-fiduciaries must share profits equally
 - D. Co-fiduciaries do not have a duty to monitor
- 8. What is the concept of comprehensive diversification in asset allocation?**
- A. Diversifying based on short-term performance
 - B. Considering the entire set of investments over the same horizon
 - C. Focusing only on high-value investments
 - D. Using a simplistic view for allocation decisions
- 9. What type of distributions can be expected from defined benefit hybrid plans?**
- A. Only lump sum distributions
 - B. Only annuity distributions
 - C. Both annuity and lump sum distributions
 - D. No distributions until retirement age
- 10. What is an example of a factor that contributes to market risk?**
- A. Individual company performance
 - B. Fluctuations in interest rates
 - C. The overall economic environment
 - D. Operational efficiency of a company

Answers

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

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Explanations

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1. What is an immediate life annuity designed to do?

- A. Provide substantial growth over time
- B. Offer a single payment upon retirement
- C. Convert a lump sum into ongoing income for life**
- D. Provide a flexible payment structure

An immediate life annuity is primarily designed to convert a lump sum of money into a guaranteed stream of income for the rest of the annuitant's life. This financial product is often purchased at retirement, where individuals receive regular payments starting almost immediately, thus providing a sense of financial security during retirement. The payments continue for as long as the annuitant lives, ensuring that they do not outlive their income. This structure is particularly appealing for retirees who want to ensure a stable and predictable cash flow, which can be crucial for meeting ongoing living expenses. The assurance of lifetime income can alleviate concerns about longevity risk, which is the risk of living longer than one's assets can support. In contrast, options that suggest substantial growth over time or a flexible payment structure do not accurately reflect the purpose of an immediate life annuity. Instead, its primary focus is on providing consistent income rather than allowing for investment growth or flexibility in payment amounts. The option suggesting a single payment upon retirement mischaracterizes the nature of the annuity, as it implies a one-time disbursement rather than ongoing payments for life.

2. Which risk could potentially hurt a firm's ability to pay interest or dividends?

- A. Market risk
- B. Interest rate risk
- C. Business risk**
- D. Purchasing power risk

The reasoning behind identifying business risk as the correct answer lies in its direct connection to a firm's operational performance and financial health. Business risk refers to the potential for a company's profits to fluctuate due to factors inherent to its operations, such as changes in consumer preferences, competition, regulatory changes, or economic downturns. When a firm's business is adversely affected, this can erode its revenue and profitability, making it more challenging for the company to meet its financial obligations, including paying interest on its debts and distributing dividends to shareholders. Market risk, interest rate risk, and purchasing power risk, while significant, do not directly correlate with a firm's operational capacity to generate profits. Market risk pertains to fluctuations in the overall market that may affect the value of investments, interest rate risk relates to the impact of changing interest rates on borrowing costs and investment returns, and purchasing power risk concerns the potential loss of value in terms of purchasing power due to inflation. These risks can influence broader financial performance but do not specifically focus on the internal operational challenges that define business risk. Thus, business risk stands out as the most relevant factor in evaluating a firm's ability to sustain its interest and dividend payments.

3. Which option describes the purpose of annuity payment options?

- A. To provide variable income based on market performance
- B. To guarantee lifetime income through a plan or insurer**
- C. To offer a fixed payment only during retirement
- D. To provide payments based on equity investments

The purpose of annuity payment options is to guarantee lifetime income through a plan or insurer. This means that individuals who invest in an annuity can choose a payment option that ensures they receive regular income for the duration of their lifetime, regardless of how long they might live. This characteristic is particularly valuable for retirees who are concerned about outliving their savings. By selecting an annuity, individuals can mitigate the risk of longevity, as these products are structured to provide an income stream for a guaranteed period or for the rest of their lives. This lifetime income guarantee is often a key factor for those planning for retirement, as it provides financial stability and predictability in managing expenses during retirement years. It can alleviate concerns about fluctuating market conditions and the potential depletion of assets over time, which are major considerations for retirees.

4. 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.

5. New comparability plans allow plan sponsors to do what with participant contributions?

- A. Distribute equally across all employees
- B. Provide larger contributions to select participant groups**
- C. Limit contributions to minimum legal requirements
- D. Allocate funds exclusively based on years of service

New comparability plans are designed to provide flexibility in the allocation of contributions to retirement plans, which is why allowing larger contributions to select participant groups is a hallmark feature of these plans. In a new comparability plan, the employer can categorize employees into different groups based on various criteria, such as job classification, age, or service, and then make varying contribution levels to these groups. This approach allows employers to enhance benefits for certain segments of their workforce, often those who are key employees or highly compensated individuals, while still meeting overall contribution limits set by retirement plan regulations. This flexibility can serve multiple strategic purposes, such as enhancing employee retention and morale among key personnel or creating a more attractive benefits package for essential roles within the organization. The design supports the employer's goals while also remaining compliant with laws governing retirement plans, which is why it stands out compared to options that suggest equal distributions, limiting contributions to minimum requirements, or basing allocations solely on tenure.

6. What does an increase in interest rates typically signify for long-term bonds?

- A. Increased value
- B. No effect on value
- C. Decreased value**
- D. Stability in value

An increase in interest rates typically leads to a decrease in the value of long-term bonds. This relationship is primarily due to the fixed nature of bond payments. When interest rates rise, newly issued bonds come to market with higher yields, making existing bonds with lower interest rates less attractive. As a result, the prices of existing bonds decline to align their yields with the new market rates. Investors looking for better returns on their investments will prefer new bonds that offer higher interest rates. Thus, to sell a long-term bond that pays a lower rate, bondholders must reduce its price, which leads to a decreased value in the bond market. This inverse relationship between interest rates and bond values is a fundamental principle in fixed-income investing.

7. Which statement is accurate regarding co-fiduciary responsibilities under ERISA?

- A. A fiduciary cannot be liable for the actions of another
- B. Knowledge of a breach mandates action**
- C. Co-fiduciaries must share profits equally
- D. Co-fiduciaries do not have a duty to monitor

The statement that knowledge of a breach mandates action is accurate regarding co-fiduciary responsibilities under ERISA. Under the Employee Retirement Income Security Act (ERISA), if a fiduciary gains knowledge of a breach of fiduciary duty by another fiduciary, they are required to take appropriate action to address that breach. This could include notifying other co-fiduciaries or taking steps to remedy the situation to protect the interests of the plan participants and beneficiaries. This principle emphasizes the importance of active monitoring and engagement among fiduciaries. Co-fiduciaries have a shared responsibility to ensure that the plan is managed according to the law and in the best interests of participants, reinforcing the need for a collaborative and vigilant approach to fiduciary duties. Consequently, merely being aware of a breach without taking action can lead to liability for those who do not fulfill their responsibilities in ensuring compliance with ERISA standards. The other statements do not accurately reflect the nature of co-fiduciary responsibilities under ERISA. For example, while a fiduciary may generally not be liable for the actions of another, they can indeed be liable if they fail to act upon knowledge of a breach. Moreover, there is no requirement for co-fiduciaries to share profits equally, and

8. What is the concept of comprehensive diversification in asset allocation?

- A. Diversifying based on short-term performance
- B. Considering the entire set of investments over the same horizon**
- C. Focusing only on high-value investments
- D. Using a simplistic view for allocation decisions

Comprehensive diversification in asset allocation involves considering the entire set of investments over the same investment horizon. This approach aims to spread risk across different asset classes, sectors, and geographical regions, thereby reducing the impact that any single investment could have on the overall portfolio performance. By evaluating all assets collectively, investors can identify correlations and diversification benefits that might not be evident when looking at individual assets in isolation. This method enhances the potential for returns while managing risk more effectively over the same time frame, allowing for a more holistic investment strategy. Other choices do not reflect the essence of comprehensive diversification. Diversifying based on short-term performance could lead to reactive decision-making that fails to capitalize on long-term growth potential. Focusing solely on high-value investments ignores the benefits of including a wider range of asset types, potentially increasing portfolio risk. A simplistic view for allocation decisions overlooks the complexities of the market and could result in imbalances that may expose the investor to greater volatility. Comprehensive diversification effectively mitigates these concerns by emphasizing a thorough and strategic investment approach.

9. What type of distributions can be expected from defined benefit hybrid plans?

- A. Only lump sum distributions
- B. Only annuity distributions
- C. Both annuity and lump sum distributions**
- D. No distributions until retirement age

Defined benefit hybrid plans are designed to combine features of both traditional defined benefit plans and defined contribution plans. This dual structure allows for flexible distribution options. Typically, participants in hybrid plans may receive their benefits in the form of either annuity payments or lump sum distributions upon retirement, reflecting the plan's characteristics. The inclusion of both distribution methods means that participants can choose how they would like to receive their accrued benefits. Lump sum distributions provide a one-time payout, which can be appealing for those who prefer immediate access to their funds or wish to manage the investments themselves. On the other hand, annuity distributions ensure a guaranteed income stream for the retiree over a certain period, which can provide stability and peace of mind. Thus, hybrid plans are structured to accommodate the diverse preferences of participants regarding how they want to manage their retirement savings, making the availability of both annuity and lump sum distributions a key feature of these plans.

10. What is an example of a factor that contributes to market risk?

- A. Individual company performance
- B. Fluctuations in interest rates
- C. The overall economic environment**
- D. Operational efficiency of a company

Market risk refers to the potential for investment losses due to factors that affect the overall performance of financial markets. One significant factor that contributes to market risk is the overall economic environment. This includes macroeconomic indicators such as inflation rates, unemployment rates, economic growth, and geopolitical events. Changes in the economic environment can lead to shifts in investor sentiment, affecting asset prices across multiple sectors and leading to widespread impacts that are not isolated to individual companies or sectors. The overall economic environment influences demand for goods and services, affects corporate earnings, and can lead to changes in government policies, which in turn impact market stability. For instance, during economic downturns, consumer spending typically decreases, which can negatively affect companies even if they have strong individual performance or operational efficiency. Therefore, this broad and systemic nature of the economic environment makes it a key contributor to market risk, as it can create fluctuations in market prices unrelated to a specific company's performance.

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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