

# Qualified 401(k) Administrator (QKA) 1 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.

# 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 typically happens to unclaimed 401(k) funds?**
  - A. They are refunded to the employer**
  - B. They may be returned to the participant upon request**
  - C. They may be turned over to the state as unclaimed property**
  - D. They are invested in special annuities**
  
- 2. What is the deadline for the first Required Minimum Distribution (RMD) for non-5% owners?**
  - A. No later than December 31 of the retirement year**
  - B. By April 1 following the year of turning 70**
  - C. No later than April 1 following age 72 attainment or retirement**
  - D. At the end of the fiscal year of retirement**
  
- 3. What is the correct formula for determining the maximum loan amount a participant may receive for a defined contribution (DC) plan?**
  - A. 25% of the vested account balance**
  - B. 50% of the vested account balance minus any current amounts**
  - C. The lesser of 50 percent of the vested account balance minus current amounts or \$50,000 minus repaid amounts**
  - D. The total vested account balance minus outstanding loans**
  
- 4. Which of the following is NOT a requirement for an employee to be eligible for 401(k) plan contributions?**
  - A. Age**
  - B. Insurance coverage**
  - C. Service time**
  - D. Employment status**
  
- 5. What is the equivalency method for determining eligibility?**
  - A. A standard number of hours worked, e.g., 40 hours a week**
  - B. Creating a preset number of time worked, e.g., one week is 45 hours**
  - C. Only counting full-time employees**
  - D. Based solely on past contributions**

- 6. Automatic escalation is most effective for addressing what challenge in retirement plans?**
- A. Maintaining employee interest in the plan**
  - B. Ensuring contributions are consistent over time**
  - C. Limiting employer financial responsibility**
  - D. Reducing complexity in employee selections**
- 7. What does the time value of money refer to?**
- A. The potential to lose money over time**
  - B. The impact of inflation on savings**
  - C. The potential for money to grow in value over time**
  - D. The fixed value of money in today's terms**
- 8. Can a DRO include benefits that are not provided by the plan?**
- A. Yes, it can include any type of benefit**
  - B. No, it cannot include any type of benefit not provided**
  - C. Yes, but only certain benefits**
  - D. No, only future benefits are allowed**
- 9. What is the vesting requirement for a 3-year cliff plan?**
- A. Immediate vesting**
  - B. Vesting occurs linearly over 6 years**
  - C. No vesting requirement**
  - D. Vesting takes place after 3 years of service**
- 10. What is a key feature of the tax withholding amount from a distribution?**
- A. It is a flat percentage across all distributions**
  - B. It changes based on the participant's employment status**
  - C. It is based on the total amount of distributions subject to taxation**
  - D. It varies according to annual salary deductions**

## Answers

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

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## **Explanations**

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## 1. What typically happens to unclaimed 401(k) funds?

- A. They are refunded to the employer
- B. They may be returned to the participant upon request
- C. They may be turned over to the state as unclaimed property**
- D. They are invested in special annuities

Unclaimed 401(k) funds are subject to specific regulations regarding how they are handled when a participant cannot be located. Typically, if a participant does not take action regarding their 401(k) account and cannot be contacted for a significant period, the funds may be classified as "unclaimed property." In such cases, the plan administrator is required to follow state laws, which often mandate that these unclaimed funds be turned over to the state. Each state has its own unclaimed property laws that dictate the time frame and process by which these funds must be reported and remitted to the state, ensuring that the money can eventually be returned to the rightful owner if they come forward to claim it. This process acts as a safety net for participants, as it helps track their funds when they may have lost touch with their former employers or the plans in which they held money. Understanding this system is crucial for 401(k) administrators as they manage these accounts responsibly and comply with applicable laws.

## 2. What is the deadline for the first Required Minimum Distribution (RMD) for non-5% owners?

- A. No later than December 31 of the retirement year
- B. By April 1 following the year of turning 70
- C. No later than April 1 following age 72 attainment or retirement**
- D. At the end of the fiscal year of retirement

The first Required Minimum Distribution (RMD) for non-5% owners must be taken no later than April 1 following the attainment of age 72 or the year in which the individual retires, whichever comes later. This deadline is significant because it reflects the IRS rules aiming to ensure that individuals begin to withdraw funds from their tax-deferred retirement accounts, thereby paying the relevant taxes on those distributions. Attaining age 72 marks the age at which the IRS requires individuals to start taking distributions, regardless of their employment status. Notably, if an individual retires after age 72, that person's first RMD deadline still applies for the year following retirement. This way of structuring the RMD rules helps ensure that tax-deferred retirement accounts are gradually depleted during retirement while also managing tax liabilities. Thus, the requirement emphasizes the necessity for account holders to be aware of their age and retirement status when planning their withdrawals, ensuring compliance with tax regulations.

- 3. What is the correct formula for determining the maximum loan amount a participant may receive for a defined contribution (DC) plan?**
- A. 25% of the vested account balance
  - B. 50% of the vested account balance minus any current amounts
  - C. The lesser of 50 percent of the vested account balance minus current amounts or \$50,000 minus repaid amounts**
  - D. The total vested account balance minus outstanding loans

The formula for determining the maximum loan amount a participant may receive from a defined contribution plan is indeed based on specific rules outlined in the Internal Revenue Code. The correct option describes a formula that takes into account both the percentage of the vested account balance and the overall limits on loans. Specifically, the maximum loan amount that a participant can borrow is the lesser of 50% of their vested account balance or \$50,000, reduced by any outstanding loan amounts. This dual consideration ensures that participants have access to a portion of their funds while also maintaining the integrity of the plan and protecting its assets. By outlining the maximum allowable loan amounts based on account balance and existing loans, this formula effectively caps the borrowing limit in a way that safeguards the plan's long-term viability. The inclusion of both the percentage and the dollar limit addresses the need to manage the risk to the retirement savings of participants. Additionally, it recognizes that if a participant has existing loans, those amounts must be subtracted to avoid excessive borrowing that could jeopardize their retirement savings. Thus, the correct answer captures all elements of the calculation necessary for determining a loan under a defined contribution plan, ensuring compliance with IRS guidelines while offering participants financial flexibility.

- 4. Which of the following is NOT a requirement for an employee to be eligible for 401(k) plan contributions?**
- A. Age
  - B. Insurance coverage**
  - C. Service time
  - D. Employment status

To understand why 'insurance coverage' is the correct answer, it's important to recognize the fundamental requirements for an employee to be eligible for 401(k) plan contributions. Age, service time, and employment status are all legitimate criteria that can dictate eligibility for participating in a 401(k) plan. For instance, plans may have a minimum age requirement, typically set at 21 years old, and may require a certain amount of service time before an employee can become a participant. Employment status is also crucial, as only current employees of the sponsoring employer can contribute to the 401(k) plan. Insurance coverage, on the other hand, is not a factor in determining eligibility for 401(k) plan contributions. While employees might need to have certain types of insurance coverage as part of their benefits package, it does not influence their ability to contribute to a retirement plan. Thus, it is clear that insurance coverage does not play a role in the eligibility criteria for making contributions to a 401(k), making it the correct answer.

**5. What is the equivalency method for determining eligibility?**

- A. A standard number of hours worked, e.g., 40 hours a week**
- B. Creating a preset number of time worked, e.g., one week is 45 hours**
- C. Only counting full-time employees**
- D. Based solely on past contributions**

The equivalency method for determining eligibility in a retirement plan context generally refers to a specific standard established for determining if employees meet certain criteria to participate. This method focuses on creating a predetermined threshold, such as a specific number of hours worked over a defined period, in this case, proposing a workweek of 45 hours. By using a preset number of hours, the equivalency method allows employers to establish a clear guideline that can be consistently applied across the workforce. This can be particularly useful in organizations where varying work hours might make it more challenging to gauge regular participation based on average metrics. For example, rather than assessing eligibility based on highly variable actual hours worked, which could fluctuate widely, setting a fixed standard like 45 hours simplifies the determination process and helps ensure that employees who meet that standard are eligible for benefits. This approach thus aids in maintaining compliance and clarity in eligibility criteria.

**6. Automatic escalation is most effective for addressing what challenge in retirement plans?**

- A. Maintaining employee interest in the plan**
- B. Ensuring contributions are consistent over time**
- C. Limiting employer financial responsibility**
- D. Reducing complexity in employee selections**

Automatic escalation is a feature in retirement plans designed to help participants increase their contribution rates automatically over time, typically at set intervals. This mechanism is particularly effective for addressing the challenge of ensuring that contributions are consistent and adequate as employees progress through their careers. By automatically escalating contributions, individuals are more likely to save the recommended or necessary amounts for retirement without having to actively make the decision each time to increase their contributions. This aligns participants with the goal of enhancing their retirement savings, especially given that many employees may not opt to increase their contributions on their own due to inertia or procrastination. While maintaining employee interest and limiting employer financial responsibility are important factors in retirement planning, the primary advantage of automatic escalation lies in its ability to create a systematic and reliable increase in contributions, thereby addressing the long-term savings challenge that many employees face.

**7. What does the time value of money refer to?**

- A. The potential to lose money over time**
- B. The impact of inflation on savings**
- C. The potential for money to grow in value over time**
- D. The fixed value of money in today's terms**

The time value of money is a fundamental financial concept that highlights how the value of money can change over time due to potential earning capacity. When stating that money has the potential to grow in value over time, it underscores the idea that investing or earning interest on money leads to an increase in total value. For instance, if \$100 is invested at an interest rate of 5% per year, after one year, that amount will grow to \$105. This reflects how money can earn returns, making it worth more in the future than it is today. The other concepts presented in the answer choices do touch on relevant principles related to money and finance, but they do not capture the essence of the time value of money as thoroughly. Understanding the potential for growth due to interest or investment is crucial for making informed financial decisions.

**8. Can a DRO include benefits that are not provided by the plan?**

- A. Yes, it can include any type of benefit**
- B. No, it cannot include any type of benefit not provided**
- C. Yes, but only certain benefits**
- D. No, only future benefits are allowed**

A Domestic Relations Order (DRO) is a legal order related to divorce or legal separation that can dictate how retirement benefits, typically from a 401(k) plan, are divided between parties. The key aspect of a DRO is that it can only direct the division of benefits that are actually available under the specific retirement plan. The rationale behind this limitation is that a DRO operates within the framework of the plan's governing documents and applicable laws. Therefore, if the plan does not provide a certain type of benefit, that benefit cannot be included in the DRO. For instance, if a plan does not offer survivor benefits or has specific limitations on the types of distributions available, a DRO cannot mandate the plan to provide or modify these benefits. This strict adherence to the benefits available in the plan ensures consistency and rights protection for both the participant and the alternate payee. It also avoids potential conflicts that could arise from trying to enforce a division of benefits that the plan simply does not accommodate. In contrast, considerations of other options reflect varieties of benefits or future benefits which are outside the defined remit of what a DRO can stipulate, reaffirming the clear boundaries set by the plan's provisions.

**9. What is the vesting requirement for a 3-year cliff plan?**

- A. Immediate vesting**
- B. Vesting occurs linearly over 6 years**
- C. No vesting requirement**
- D. Vesting takes place after 3 years of service**

In a 3-year cliff vesting plan, employees do not earn any rights to their employer's contributions until they have completed a full three years of service. At the end of this three-year period, they become fully vested, meaning they secure full ownership of the employer's contributions to their 401(k) plan. This structure encourages employee retention, as those who leave the company before reaching the three-year mark will forfeit any employer contributions. The immediate vesting option does not align with the definition of a cliff vesting schedule, as it allows employees to access employer contributions right away. Linear vesting over six years would indicate a gradual earning of benefits, which is also not representative of a cliff vesting structure. A lack of any vesting requirement entirely contradicts the premise of having a vesting schedule, as it would imply no conditions to gain rights to employer contributions. Thus, a 3-year cliff plan mandates that vesting occurs once the employee reaches the end of three years of service.

**10. What is a key feature of the tax withholding amount from a distribution?**

- A. It is a flat percentage across all distributions**
- B. It changes based on the participant's employment status**
- C. It is based on the total amount of distributions subject to taxation**
- D. It varies according to annual salary deductions**

The correct answer highlights that the tax withholding amount from a distribution is based on the total amount of distributions subject to taxation. This means that the withholding is calculated by considering the nature and size of the distribution being taken. The IRS provides specific guidelines for how much tax should be withheld from retirement account distributions, primarily based on whether the distribution is an eligible rollover or subject to mandatory withholding. This option accurately reflects the reality that the required withholding can vary depending on the total distribution amount, rather than being a simple flat percentage or influenced directly by factors like employment status or annual salary deductions. Each distribution may involve different levels of taxation, particularly if it includes pre-tax and post-tax contributions, thus impacting how much is withheld.

## 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](mailto:hello@examzify.com).**

**Or visit your dedicated course page for more study tools and resources:**

**<https://qualified401kadmin1.examzify.com>**

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

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