Qualified Financial Adviser (QFA) Pensions Exam 1 Practice Test (Sample)

Study Guide

BY EXAMZIFY

Everything you need from our exam experts!

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

Table of Contents

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

1. **Which method must be used to calculate Christina's final remuneration for maximum approvable retirement benefits in a defined benefit scheme?**
    - A. The annual rate of remuneration payable at retirement date
    - B. Basic remuneration over the last 12 months prior to retirement, plus the average of fluctuating emoluments over the last five years
    - C. Average of total emoluments over the last five consecutive years prior to retirement
    - D. Average of total emoluments over three or more consecutive years, ending no earlier than 10 years before retirement

2. **Which one CANNOT invest in an exempt unit trust?**
    - A. Private investor
    - B. Employer pension scheme
    - C. Prsa
    - D. Rac

3. **In Karl's scenario, which ARF withdrawal by end of 2020 would avoid an imputed distribution given the March 2020 AMRF withdrawal?**
    - A. €2,600
    - B. €3,600
    - C. €4,000
    - D. €6,000

4. **Which pension is NOT subject to a means test?**
    - A. State Pension (Non-Contributory)
    - B. State Widow's Pension (Non-Contributory)
    - C. State Pension (Contributory)
    - D. All of the above

5. **In the three-pillar model, which pillar includes private savings outside of state and occupational pensions?**
    - A. First
    - B. Second
    - C. Third
    - D. Fourth

6. **Which document is typically used to specify how pension rights are held on behalf of beneficiaries in a pension arrangement?**
   - A. Schedule of Benefits
   - B. Declaration of Trust
   - C. Letter of Exchange
   - D. Memorandum of Understanding

7. **Patricia cancels a RAC during the cooling-off period when the fund price had fallen by 10% since issue. What is the MAXIMUM refund she is legally entitled to?**
   - A. €40,000
   - B. €45,000
   - C. €50,000
   - D. €55,000

8. **Jamie is aged 62. What limit, if any, applies to the withdrawal, as a percentage of his ARF value?**
   - A. No limit
   - B. 4%
   - C. 5%
   - D. 6%

9. **Anthea has a vested PRSA. At age 75, which option will NOT be available for the balance of her PRSA?**
   - A. Retain the balance in the PRSA
   - B. Take the balance as a taxable lump sum
   - C. Transfer the balance into an AMRF
   - D. Buy an annuity

10. **Which one of the following investment transactions by an employer pension scheme would cause an immediate taxable withdrawal from the scheme of the funds and assets involved in the transaction?**

   A. **The scheme buys quoted shares direct from an unconnected third party**

   B. **The scheme buys shares in a close company in which a member's spouse is already a shareholder**

   C. **The scheme invests in a life company geared property unit fund**

   D. **The scheme invests in bonds denominated in US currency**

Answers

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

Explanations

1. **Which method must be used to calculate Christina's final remuneration for maximum approvable retirement benefits in a defined benefit scheme?**
   - A. The annual rate of remuneration payable at retirement date
   - B. Basic remuneration over the last 12 months prior to retirement, plus the average of fluctuating emoluments over the last five years
   - C. Average of total emoluments over the last five consecutive years prior to retirement
   - D. Average of total emoluments over three or more consecutive years, ending no earlier than 10 years before retirement

In defined benefit schemes, the pension amount is typically based on an average of the member's total emoluments over a period of consecutive years, chosen within a defined window before retirement. This approach smooths out year-to-year pay changes and allows selecting a period that yields the highest reasonable average. The best option fits exactly: take the average of total emoluments over at least three consecutive years, with the averaging period ending no earlier than 10 years before retirement. This setup lets you pick any eligible consecutive block within the last ten years before retirement to maximize the final remuneration used for the pension. Other approaches fix a specific window (such as the last year, or the last five years immediately before retirement) or mix different pay components in a way that isn't aligned with the maximum-approved method of using a flexible, at-least-three-years window within the 10-year look-back. Thus, the flexible three-or-more-year average that ends within the last ten years before retirement best achieves the maximum allowable final remuneration.

2. **Which one CANNOT invest in an exempt unit trust?**
   - A. Private investor
   - B. Employer pension scheme
   - C. Prsa
   - D. Rac

Exempt unit trusts are designed to pass through tax benefits to investors who themselves qualify as tax-exempt or retirement-related entities. Only certain investors—like employer pension schemes, PRSAs, and RACs—are eligible to invest in these exempt structures. A private individual is not a qualifying investor for exempt unit trusts, so they cannot invest in them. The remaining options meet the eligibility criteria because they are retirement or pension-related vehicles.

3. In Karl’s scenario, which ARF withdrawal by end of 2020 would avoid an imputed distribution given the March 2020 AMRF withdrawal?

A. €2,600

B. €3,600

C. €4,000

D. €6,000

The key idea here is how imputed distributions work for an ARF that originated from an AMRF. When funds are moved from an AMRF into an ARF, tax rules require a minimum withdrawal in the year to satisfy the AMRF’s return, calculated as a percentage of the AMRF value (commonly 4%). If the actual ARF withdrawals in that year are less than this imputed minimum, the shortfall is treated as a deemed (imputed) distribution for tax purposes. If you withdraw at least the imputed minimum, there is no imputed distribution for that year. In Karl’s case, after the March 2020 AMRF withdrawal, the imputed minimum for the year is €6,000. To avoid an imputed distribution by end of 2020, the ARF withdrawal needs to be at least €6,000. Withdrawing €6,000 meets the requirement, while smaller amounts do not.

4. Which pension is NOT subject to a means test?

A. State Pension (Non-Contributory)

B. State Widow's Pension (Non-Contributory)

C. State Pension (Contributory)

D. All of the above

The key idea is the difference between pensions based on contributions and those based on means testing. The State Pension (Contributory) is funded by your PRSI contributions and isn’t reduced by your current income or assets, so it isn’t means-tested. In contrast, the non-contributory State Pension and the State Widow’s Pension (Non-Contributory) are means-tested, meaning the amount you can receive depends on your income, savings, and household circumstances. Therefore, the pension not subject to a means test is the State Pension (Contributory).

5. In the three-pillar model, which pillar includes private savings outside of state and occupational pensions?

A. First

B. Second

C. Third

D. Fourth

In the three-pillar model, retirement income comes from three sources: the state pension (pillar one), occupational or workplace pensions (pillar two), and private savings you accumulate yourself (pillar three). The private savings pillar is voluntary and includes personal savings, investments, and private pension arrangements intended to top up what the state and employer schemes provide. Therefore, private savings outside of state and occupational pensions fall under the third pillar. Note there is no fourth pillar in this framework.

6. Which document is typically used to specify how pension rights are held on behalf of beneficiaries in a pension arrangement?

A. Schedule of Benefits

B. Declaration of Trust

C. Letter of Exchange

D. Memorandum of Understanding

The main idea here is that pension rights are typically held in a trust, with a formal document that sets out who owns the rights and how the assets are managed on behalf of beneficiaries. The Declaration of Trust is that document: it states that the scheme assets are held by trustees for the benefit of the members and other beneficiaries, and it defines who is entitled to what and under what conditions. This creates a clear legal structure showing the separation of ownership (trustees holding for beneficiaries) from the employer and administrators, and it guides how benefits are paid and how the fund is administered. In contrast, a Schedule of Benefits simply lists the benefits available, not who holds the rights; a Letter of Exchange and a Memorandum of Understanding relate to different types of arrangements and do not establish the trust-like holding of pension rights.

7. Patricia cancels a RAC during the cooling-off period when the fund price had fallen by 10% since issue. What is the MAXIMUM refund she is legally entitled to?

A. €40,000

B. €45,000

C. €50,000

D. €55,000

During the cooling-off period, you can cancel and receive back the value of the RAC at the cancellation date. It's not a refund of the original amount if the fund's value has fallen; you get the current market value of the investment. If the RAC was issued at €50,000 and the fund price has fallen 10%, the current value is 50,000 × 0.90 = €45,000. Therefore, the maximum refund she is entitled to is €45,000 (assuming no additional surrender charges apply).

8. Jamie is aged 62. What limit, if any, applies to the withdrawal, as a percentage of his ARF value?

A. No limit

B. 4%

C. 5%

D. 6%

The key idea is that ARF withdrawals are governed by a minimum requirement, not a cap. For someone around Jamie's age, there is a minimum percentage of the ARF value that must be withdrawn each year (to ensure funds are actually drawn down as you retire), but there is no maximum percentage limit. In Jamie's case, the minimum withdrawal is 4% of the ARF value, but you can withdraw more than that—up to the total ARF value—if you choose, subject to tax rules. So there is no upper limit on the withdrawal as a percentage of the ARF value.

9. Anthea has a vested PRSA. At age 75, which option will NOT be available for the balance of her PRSA?

A. Retain the balance in the PRSA

B. Take the balance as a taxable lump sum

C. Transfer the balance into an AMRF

D. Buy an annuity

Age-based rules determine what you can do with a PRSA balance at retirement, especially around the AMRF option. The Approved Minimum Retirement Fund (AMRF) path is designed to be used up to a certain age. You can transfer funds into an AMRF only up to that age; after you reach 75, that transfer option closes. So at age 75, transferring the PRSA balance into an AMRF isn’t available. You still have other choices: you can keep the balance within the PRSA, take a taxable lump sum, or use the funds to buy an annuity. The key point is that AMRF transfers are not permitted once you are 75.

10. Which one of the following investment transactions by an employer pension scheme would cause an immediate taxable withdrawal from the scheme of the funds and assets involved in the transaction?

A. The scheme buys quoted shares direct from an unconnected third party

B. The scheme buys shares in a close company in which a member's spouse is already a shareholder

C. The scheme invests in a life company geared property unit fund

D. The scheme invests in bonds denominated in US currency

The fundamental idea here is that pension schemes must avoid investments that involve close connections with members or their families. When a scheme buys shares in a close company in which a member’s spouse already holds shares, the transaction has a related-party element and isn’t at arm’s length. In this situation, the tax rules treat the investment as an immediate withdrawal of the funds involved from the scheme, effectively creating a taxable benefit or unauthorised payment for the member. That “withdrawal” is taxed as if the scheme has paid out the value to the connected party right away. The other options don’t create that same immediate, non-arm’s-length effect. Buying quoted shares from an unrelated seller is a standard, arm’s-length investment. Investing in a life company geared property unit fund and purchasing bonds denominated in US currency are not, by themselves, prohibited withdrawals driven by related-party connections. The key factor is the close-company/connected-party nature of the investment, which is why the second option is the correct one.

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://qfapensions1.examzify.com

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