QUALIFIED FINANCIAL ADVISER (QFA) PENSIONS EXAM 1 PRACTICE TEST (SAMPLE)

STUDY GUIDE

SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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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

1. **What is an annuity and when might it be used?**
   A. A contract paying a guaranteed income for life (or a fixed term); often used to convert a DC pot into secure retirement income.
   B. A flexible investment product with no guaranteed income.
   C. A loan against the pension pot.
   D. A government grant to boost pension savings.

2. **A corporate bond secured over some of the assets of the company is called a:**
   A. Gilt
   B. Debenture
   C. Treasury
   D. Coupon

3. **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

4. **Which statement best describes death-in-service cover in a pension scheme?**
   A. A benefit paid to a beneficiary if the member dies while still employed, often a multiple of salary.
   B. A pension paid to the member after retirement.
   C. A lump-sum paid only if death occurs after retirement.
   D. Life cover that starts at retirement.

5. **What happens if the lifetime allowance is exceeded?**
   A. There is no tax relief on any further contributions.
   B. The lifetime allowance is automatically reset for the following year.
   C. The excess is carried forward to the next year for relief.
   D. A tax charge is payable on the excess over the lifetime allowance.

6. For non-members of an employer scheme, which product should the employer typically provide via payroll deduction?

A. Non-Standard PRSA

B. Retirement Annuity Contract

C. Standard PRSA

D. Life Assurance Savings Plan

7. John is taking a voluntary redundancy package from his employer. His average annual remuneration over the three years prior to the date of termination of employment is €90,000, and he has completed 17 years and 9 months service with his employer. He has no employer pension scheme benefits. What is John's Standard Capital Superannuation Benefit in respect of his ex-gratia termination payment?

A. €23,165

B. €33,165

C. €102,000

D. €153,000

8. John's earnings include a PAYE salary of €50,000, a €50,000 bonus, and a €50,000 dividend. His relevant income would be:

A. €50,000

B. €100,000

C. €150,000

D. €200,000

9. Daniel took retirement benefits in 2020 from a PRSA valued at €2.5m. He took a lump sum of €500,000, of which €300,000 was taxed at standard rate, and the balance transferred to an AMRF and ARF. Assuming he took no other retirement benefits previously and is only entitled to the Standard Fund Threshold in 2020, what chargeable excess tax was deducted from his PRSA on maturity in 2020?

A. €140,000

B. €82,000

C. €200,000

D. €205,000

10. A PRSA provider must issue a SORP within seven days of which event?

A. on reaching age 50

B. on encashment

C. on termination of employment

D. increasing the charges on the PRSA

Answers

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

Explanations

1. What is an annuity and when might it be used?

A. A contract paying a guaranteed income for life (or a fixed term); often used to convert a DC pot into secure retirement income.

B. A flexible investment product with no guaranteed income.

C. A loan against the pension pot.

D. A government grant to boost pension savings.

An annuity is a contract that converts a pension lump sum into a guaranteed income stream, typically payable for life or for a fixed term. This setup provides predictable retirement income and helps manage longevity risk, since you won't outlive your funds. That makes it a common way to turn a defined contribution pot into secure, stable income in retirement. The other descriptions don't fit an annuity: a flexible investment product with no guaranteed income doesn't promise steady payments; a loan against the pension pot involves borrowing against assets rather than producing income; and a government grant to boost pension savings is a different kind of funding.

2. A corporate bond secured over some of the assets of the company is called a:

A. Gilt

B. Debenture

C. Treasury

D. Coupon

Secured corporate borrowing is typically called a debenture. A debenture is a debt instrument issued by a company, and when it is secured, the lender has a charge over some of the company's assets to back repayment. This security distinguishes it from unsecured corporate bonds and from government bonds. In this context, a gilt or treasury would be government bonds, not corporate, and a coupon is just the interest payment. So a corporate bond secured over assets is best described as a debenture.

3. 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.

4. Which statement best describes death-in-service cover in a pension scheme?

A. A benefit paid to a beneficiary if the member dies while still employed, often a multiple of salary.

B. A pension paid to the member after retirement.

C. A lump-sum paid only if death occurs after retirement.

D. Life cover that starts at retirement.

Death-in-service cover is a form of life assurance linked to a pension scheme that pays a benefit if the member dies while still employed. The benefit is typically a lump sum for the dependants and is often calculated as a multiple of salary (for example, 4x or 5x). This protection is intended to provide financial support to loved ones during the member's working years, not as a pension to the member after retirement. It is not a pension paid after retirement, nor a lump sum only if death occurs after retirement, nor life cover that starts at retirement. If someone earns £60,000 and the cover is 4x, the lump sum could be around £240,000, payable if they die in service.

5. What happens if the lifetime allowance is exceeded?

A. There is no tax relief on any further contributions.

B. The lifetime allowance is automatically reset for the following year.

C. The excess is carried forward to the next year for relief.

D. A tax charge is payable on the excess over the lifetime allowance.

The lifetime allowance sets a cap on the total value of your pension benefits that can be taken without a tax charge. If the value of benefits crystallised (taken or tested) exceeds this cap, the excess is taxed. The charge is payable on the excess and reduces the amount you ultimately receive. This isn't reset next year, nor can any excess be carried forward for relief in future years. There isn't automatic relief for future contributions to offset the excess.

6. For non-members of an employer scheme, which product should the employer typically provide via payroll deduction?

A. Non-Standard PRSA

B. Retirement Annuity Contract

C. Standard PRSA

D. Life Assurance Savings Plan

When someone isn't in an employer's pension scheme, the usual way to collect retirement savings through the payroll is by offering a PRSA, and the standard version is the typical choice. The Standard PRSA is designed specifically for salary deductions, making it easy for the employer to set up regular contributions from pay and to keep administration simple. It also gives tax relief on contributions, is portable if the employee changes jobs, and comes with standardized charges and investment options, which keeps costs predictable for both employee and employer. Non-Standard PRSAs, while available, involve more flexible terms and often higher or less predictable charges, making them less suitable as the default payroll deduction option. Retirement Annuity Contracts are older personal pension products not commonly set up through payroll in a modern employer context, and Life Assurance Savings Plans are primarily focused on life cover with savings rather than a straightforward pension vehicle. So the Standard PRSA best fits the scenario of employer-facilitated payroll deductions for non-members.

7. John is taking a voluntary redundancy package from his employer. His average annual remuneration over the three years prior to the date of termination of employment is €90,000, and he has completed 17 years and 9 months service with his employer. He has no employer pension scheme benefits. What is John's Standard Capital Superannuation Benefit in respect of his ex-gratia termination payment?

A. €23,165

B. €33,165

C. €102,000

D. €153,000

Standard Capital Superannuation Benefit is the tax-free portion of an ex-gratia termination payment. It is calculated as twice the average remuneration over the last three years, but cannot exceed a statutory cap. Here, the average remuneration is €90,000, so twice that would be €180,000. The cap is €102,000, so the SCSB is €102,000. The absence of employer pension benefits doesn't change this calculation, and length of service isn't needed beyond determining eligibility.

8. John's earnings include a PAYE salary of €50,000, a €50,000 bonus, and a €50,000 dividend. His relevant income would be:

A. €50,000

B. €100,000

C. €150,000

D. €200,000

Relevant income is the total amount from all earnings that count for pension contributions relief. In this scenario, you add the different streams of income that qualify: salary, a bonus, and dividends. So the total is €50,000 + €50,000 + €50,000 = €150,000. If a provided answer shows €200,000, that would require another €50,000 of income not shown in the data. Based on the figures given, the relevant income amounts to €150,000.

9. Daniel took retirement benefits in 2020 from a PRSA valued at €2.5m. He took a lump sum of €500,000, of which €300,000 was taxed at standard rate, and the balance transferred to an AMRF and ARF. Assuming he took no other retirement benefits previously and is only entitled to the Standard Fund Threshold in 2020, what chargeable excess tax was deducted from his PRSA on maturity in 2020?

A. €140,000

B. €82,000

C. €200,000

D. €205,000

The key idea is chargeable excess on a PRSA when the fund value at maturity exceeds the Standard Fund Threshold (SFT). In 2020, the SFT is €2,000,000. Daniel's PRSA is €2,500,000, so the excess above the threshold is €500,000. The chargeable excess tax on that excess is 40% of €500,000, which equals €200,000. However, the tax already paid on the lump sum portion taken at retirement—€300,000 taxed at the standard rate (20%)—amounts to €60,000 of tax. This tax on the lump sum is credited against the chargeable excess tax due. Net chargeable excess tax deducted from the PRSA on maturity is €200,000 minus €60,000, which is €140,000. The transfer of €200,000 to AMRF/ARF doesn't change this net calculation for the chargeable excess deduction. Therefore, the amount deducted is €140,000.

10. A PRSA provider must issue a SORP within seven days of which event?

A. on reaching age 50

B. on encashment

C. on termination of employment

D. increasing the charges on the PRSA

The main idea here is timely disclosure of changes that affect the cost of a PRSA. When the charges on a PRSA are increased, the provider must issue a SORP within seven days to promptly inform the member about the new cost structure and when it takes effect. This matters because higher charges directly reduce the net growth of the pension over time, so having up-to-date information lets the member understand the impact on future benefits and decide whether to stay, switch, or adjust contributions. Reaching age 50, encashment, or termination of employment don't on their own trigger this seven-day SORP requirement; they involve other types of notices or actions, but the specific seven-day obligation is tied to an increase in charges.

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!