QUALIFIED FINANCIAL ADVISER (QFA) PENSIONS EXAM 2 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. **Which of the following consumers would NOT be classified as a vulnerable consumer under the Consumer Protection Code?**
   A. Jean, who has a poor credit history.
   B. Mark, who recently had a brain haemorrhage which has left him unable to write.
   C. Paulo, who is an immigrant with poor English.
   D. Dermot, who earns over €115,000 per annum.

2. **Which statement best reflects the tax treatment of ARF inheritance by a non-spouse, based on the material provided?**
   A. Subject to capital gains tax at 33% at source
   B. Exempt from inheritance tax but subject to a 30% income tax charge
   C. Exempt from income tax but a taxable inheritance for inheritance tax purposes
   D. Taxed under PAYE at the inheritor's marginal rate

3. **Which statement best describes a Lifestyle fund?**
   A. It changes its asset allocation to more secure assets as retirement approaches
   B. It changes its asset allocation to higher risk/return assets as retirement approaches
   C. It invests only in shares of luxury clothing companies
   D. It is open to wealthy investors only

4. **In the Jamie example, Brigitte has obtained a PAO over his PRSA. The PAO is served on which party?**
   A. Jamie
   B. Brigitte
   C. ABC Life Co.
   D. Jamie and ABC Life Co, jointly

5. **What is the limit on the total amount of all tax free ex-gratia termination payments an individual can take over their lifetime?**
   A. €300,000
   B. €500,000
   C. €575,000
   D. €200,000

6. How should asset allocation typically change as a pension fund holder ages?

A. Remain unchanged

B. Invest only in cash

C. Shift toward lower-risk assets

D. Shift toward higher-risk assets

7. How should a client evaluate the trade-off between guarantees and flexibility?

A. Consider security of income vs potential upside, cost, and personal risk tolerance.

B. The decision should be based solely on the initial sum at retirement.

C. Always maximize guarantees regardless of cost.

D. Avoid any guarantees to maximize flexibility.

8. What is the maximum withdrawal limit from an ARF as a percentage of the ARF value, applicable to the open market rules?

A. No limit

B. 4%

C. 5%

D. 6%

9. The document that defines the benefits an employer pension scheme may provide for its members is called which of the following?

A. Deed of appointment

B. Deed of assignment

C. Constitution

D. Scheme rules

10. Which formula describes the inflation rate calculation used in the CPI example?

A. Difference divided by previous year index times 100

B. Difference divided by current index times 100

C. Previous index divided by current index times 100

D. Average of current and previous index divided by 100

Answers

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

Explanations

1. Which of the following consumers would NOT be classified as a vulnerable consumer under the Consumer Protection Code?

A. Jean, who has a poor credit history.

B. Mark, who recently had a brain haemorrhage which has left him unable to write.

C. Paulo, who is an immigrant with poor English.

D. Dermot, who earns over €115,000 per annum.

Under the Consumer Protection Code, a vulnerable consumer is someone who faces barriers that make it harder to understand, compare, or engage with financial products and services. These barriers can come from disabilities or health issues, language or literacy problems, or financial hardship and lack of experience. In these scenarios, the person with a serious health issue that affects writing shows a disability that can affect how they receive and process information. The immigrant with limited English faces a language barrier, making it harder to understand terms and options. The person with a poor credit history may be in financial distress, which can influence how they interpret information and make decisions about products. Earning a high income, by itself, does not create such barriers or vulnerability. So, the consumer with income above €115,000 would not be classified as vulnerable.

2. Which statement best reflects the tax treatment of ARF inheritance by a non-spouse, based on the material provided?

A. Subject to capital gains tax at 33% at source

B. Exempt from inheritance tax but subject to a 30% income tax charge

C. Exempt from income tax but a taxable inheritance for inheritance tax purposes

D. Taxed under PAYE at the inheritor's marginal rate

The key idea is how ARF benefits are taxed when they pass to someone who isn't a spouse. For ARFs, the death benefit paid to a non-spouse isn't charged as inheritance tax (CAT). Instead, the value of the inherited ARF is treated as income, triggering a 30% income tax charge on that amount. This charge is typically deducted at source by the fund administrator. So this treatment means the beneficiary doesn't pay CAT on the ARF, but they do face a 30% income tax bill on the inherited amount. The other options don't fit because capital gains tax isn't applied here, PAYE at the beneficiary's marginal rate isn't the mechanism, and it isn't taxed as CAT or exempt from income tax in the way those alternatives suggest.

3. Which statement best describes a Lifestyle fund?

A. It changes its asset allocation to more secure assets as retirement approaches

B. It changes its asset allocation to higher risk/return assets as retirement approaches

C. It invests only in shares of luxury clothing companies

D. It is open to wealthy investors only

Lifestyle funds use a glide path approach: as retirement gets closer, the fund systematically shifts from higher-risk assets toward lower-risk assets. This automatic rebalancing aims to reduce volatility and protect capital as the investor's time horizon shortens. So, the description that it changes its asset allocation to more secure assets as retirement approaches is the best fit. Early on, the fund tends to hold more equities to seek growth, then gradually increases exposure to bonds and cash equivalents. The other statements don't match how lifestyle funds are designed: they don't increase risk as retirement nears, they don't invest only in luxury stock shares, and they aren't restricted to wealthy investors.

4. In the Jamie example, Brigitte has obtained a PAO over his PRSA. The PAO is served on which party?

A. Jamie

B. Brigitte

C. ABC Life Co.

D. Jamie and ABC Life Co, jointly

The important idea is that authority over a PRSA through a PAO must be recognised by the scheme administrator. Brigitte, as the holder of the PAO, needs the PRSA provider to acknowledge and accept that authority before she can act on Jamie's PRSA. That's why the PAO is served on ABC Life Co., the entity administering the PRSA. Serving the provider ensures the actions Brigitte takes are valid for the plan, and it avoids questions about who is authorised. It wouldn't be served on Jamie or on Brigitte alone, or on both jointly; the necessary party to acknowledge and carry out the authority is the PRSA administrator.

5. What is the limit on the total amount of all tax free ex-gratia termination payments an individual can take over their lifetime?

A. €300,000

B. €500,000

C. €575,000

D. €200,000

Ex-gratia termination payments are discretionary sums paid when you leave a job, not part of a contractual redundancy package. The tax rules set a lifetime cap on how much of these payments can be received tax-free, and that cap is €200,000. This limit applies across all employments and all years, so the total tax-free amount from any ex-gratia termination payments you receive over your career cannot exceed €200,000. Any amount above €200,000 is taxed as employment income in the year it's received, at your marginal tax rate (subject to normal PAYE/PRSI/USC rules). For example, if you've already received €180,000 tax-free and then get €30,000 more, only €20,000 would remain tax-free; the extra €10,000 would be taxable. That's why the correct limit is €200,000—the lifetime cap on tax-free ex-gratia termination payments.

6. How should asset allocation typically change as a pension fund holder ages?

A. Remain unchanged

B. Invest only in cash

C. Shift toward lower-risk assets

D. Shift toward higher-risk assets

As you age, the time horizon to fund future pension payouts shortens, so the focus shifts from growth to protecting capital and ensuring stable, predictable income. This leads to de-risking the portfolio: increasing exposure to lower-risk assets such as high-quality bonds and cash-like instruments, while reducing holdings in volatile, higher risk assets like equities. The goal is to dampen volatility and improve the likelihood that the fund can meet its near-term liabilities as retirement approaches. Keeping the allocation the same ignores the shrinking horizon and rising need for capital preservation. Relying only on cash would preserve principal but fail to keep up with inflation and funding needs, while shifting toward higher-risk assets would raise the risk of shortfalls in a market downturn near retirement.

7. How should a client evaluate the trade-off between guarantees and flexibility?

A. Consider security of income vs potential upside, cost, and personal risk tolerance.

B. The decision should be based solely on the initial sum at retirement.

C. Always maximize guarantees regardless of cost.

D. Avoid any guarantees to maximize flexibility.

Balancing guarantees and flexibility is about weighing how secure your retirement income should be against the potential upside, the cost of guarantees, and your own risk tolerance. Guarantees give a predictable, protected floor and help guard against longevity and market risk, but they often come with costs or reduced upside. Flexibility offers the chance to capture higher returns or adapt to changing needs, yet it introduces variability and uncertainty in long-term income. The best approach is to evaluate how much security you want now versus how much flexibility you're willing to trade off, considering the price of guarantees and how comfortable you are with risk. Other options miss parts of this picture. Focusing only on the initial retirement sum ignores future needs, inflation, and longevity. Always maximizing guarantees regardless of cost can waste resources that could be used for other needs or investments. Avoiding guarantees entirely eliminates protection against downside risk and reduces planning certainty.

8. What is the maximum withdrawal limit from an ARF as a percentage of the ARF value, applicable to the open market rules?

A. No limit

B. 4%

C. 5%

D. 6%

In an ARF, the open market option gives you flexible access to the fund, without a fixed cap on how much you can take out. There is no statutory maximum percentage of the ARF value you may withdraw under these rules. You can withdraw any amount up to the full value, subject to tax and any provider terms. In practice, you'd weigh the tax impact and the impact on future income, but the rule itself imposes no upper percentage limit.

9. The document that defines the benefits an employer pension scheme may provide for its members is called which of the following?

A. Deed of appointment

B. Deed of assignment

C. Constitution

D. Scheme rules

In employer pension schemes, the document that sets out what benefits may be paid to members, along with who is eligible and how those benefits are calculated, is the scheme rules. These rules define the structure of the benefits—whether the scheme is defined benefit or defined contribution, how service is counted, early retirement provisions, survivor benefits, and any limits or conditions on payments. They form the core governance framework for how the scheme operates and pays benefits, often alongside the trust deed that underpins the scheme. Deeds of appointment are about appointing trustees or representatives, not about defining member benefits. A deed of assignment transfers a member's rights to someone else. A constitution describes the general governance of an organization, not the specific benefit design of a pension scheme. So the scheme rules are the document that specifically defines the benefits available to members.

10. **Which formula describes the inflation rate calculation used in the CPI example?**

A. Difference divided by previous year index times 100

B. Difference divided by current index times 100

C. Previous index divided by current index times 100

D. Average of current and previous index divided by 100

Calculating the inflation rate from a CPI index is about measuring how much prices have changed from one year to the next. The standard formula is (current CPI − previous CPI) ÷ previous CPI × 100. This uses the previous year's index as the base, so the result is the percentage change relative to that base. For example, if the CPI this year is 260 and last year it was 250, the difference is 10; 10 ÷ 250 = 0.04, and 0.04 × 100 = 4% inflation. Using the current index in the denominator would distort the rate, reversing the ratio yields the reciprocal of the change, and averaging the two indexes isn't how inflation is defined for a single period. The correct approach is the percentage change from the previous period using the previous index as the base.

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://qfapensions2.examzify.com

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