# ACCREDITED ASSET MANAGEMENT SPECIALIST (AAMS) PRACTICE EXAM (SAMPLE)

## STUDY GUIDE



## SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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# Table of Contents


Copyright ..... 1

Table of Contents ..... 2

Introduction ..... 3

How to Use This Guide ..... 4

Questions ..... 5

Answers ..... 8

Explanations ..... 10

Next Steps ..... 16


SAMPLE

# 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.

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# 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!

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# Questions

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1. **Which group of retirees is least susceptible to cost-of-living increases compared to the general population?**

   A. Retirees who live in apartments.

   B. Retirees who own their own home.

   C. Retirees living on Social Security alone.

   D. Retirees who have no investments.

2. **What is estate planning and why is it important?**

   A. It's the process of accumulating wealth for future generation

   B. It's the process of organizing how assets will be distributed after death, important for minimizing taxes and ensuring wishes are fulfilled

   C. It's planning for retirement income only

   D. It's the process of deciding insurance coverage

3. **What is an example of a change in a client's situation that would require a reassessment of the asset management process?**

   A. Increasing portfolio size

   B. Becoming a risk-averse investor

   C. Sudden early retirement from employment

   D. Shifting to a more aggressive investment strategy

4. **What is the significance of the Sharpe ratio?**

   A. It measures the total return of an investment

   B. It evaluates the risk-adjusted return of an investment

   C. It assesses the volatility of a stock

   D. It indicates the amount of debt a company has

5. **When diversifying a portfolio, what is a primary goal investors strive to achieve?**

   A. Maximize returns

   B. Minimize risk

   C. Enhance liquidity

   D. Increase turnover

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**6. According to Susan Benson's value averaging strategy, how many shares should she purchase in the second month if aiming to increase value by $5,000?**

A. 500

B. 550

C. 600

D. 450

**7. Which investment type is typically characterized by higher potential returns and higher risk?**

A. Government bonds

B. Cash equivalents

C. Stocks

D. Certificates of deposit

**8. For the year ending December 31, 20X2, what is Ted Jones's surplus or deficit based on his income and expenses?**

A. $500 surplus

B. $2,700 surplus

C. $3,000 deficit

D. $1,000 deficit

**9. What is a key advantage of using index funds compared to actively managed funds?**

A. Index funds typically have higher fees

B. Index funds often have lower expense ratios

C. Index funds are more volatile

D. Index funds require constant management

**10. What does "market capitalization" refer to?**

A. The net profit of a company in a fiscal year

B. The total market value of a company's outstanding shares of stock

C. The overall investment potential of a company's assets

D. The sum of a company's debts and equity

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# Answers

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

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# Explanations

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**1. Which group of retirees is least susceptible to cost-of-living increases compared to the general population?**

A. Retirees who live in apartments.

B. Retirees who own their own home.

C. Retirees living on Social Security alone.

D. Retirees who have no investments.

*Retirees who own their own home are indeed in a position that makes them generally less susceptible to cost-of-living increases compared to the general population. This is primarily because homeowners typically do not face the same level of rent or housing cost inflation that renters do. Rent is often adjusted annually based on market rates, which can increase steadily with inflation. In contrast, homeowners may have fixed-rate mortgages or may have already paid off their homes, meaning their housing costs remain stable regardless of market fluctuations in rent. Additionally, homeowners can also manage their living expenses differently, potentially reducing their overall susceptibility to inflation by controlling costs associated with property tax, maintenance, and utilities. It stands to reason that those relying solely on Social Security, living in apartments, or having no investments could be significantly impacted by cost-of-living increases due to the nature of those financial arrangements. Specifically, retirees living on Social Security alone might find that their monthly benefits do not keep pace with inflation, particularly if cost-of-living adjustments do not adequately reflect their increasing living expenses. Thus, homeowners are generally in a more favorable position when it comes to managing the effect of inflation on their retirees.*

**2. What is estate planning and why is it important?**

A. It's the process of accumulating wealth for future generation

B. It's the process of organizing how assets will be distributed after death, important for minimizing taxes and ensuring wishes are fulfilled

C. It's planning for retirement income only

D. It's the process of deciding insurance coverage

*Estate planning is the process of organizing how assets will be distributed after an individual passes away. This involves creating legal documents such as wills, trusts, and powers of attorney that specify how a person's assets should be managed and distributed according to their wishes. The importance of estate planning lies in its ability to ensure that an individual's desires regarding their assets are honored, while also minimizing estate taxes and reducing the potential for disputes among heirs. Through effective estate planning, individuals can strategically allocate their wealth to beneficiaries, provide for dependents, and choose trusted individuals to manage their affairs in the event of incapacity. This proactive approach not only helps in avoiding unnecessary taxes but also streamlines the distribution process, ultimately ensuring that the deceased's legacy is maintained as intended. Essential considerations in estate planning include addressing contingent scenarios and ensuring that all relevant legal frameworks comply with current laws and regulations, which may vary by jurisdiction.*

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**3. What is an example of a change in a client's situation that would require a reassessment of the asset management process?**

A. Increasing portfolio size

B. Becoming a risk-averse investor

C. Sudden early retirement from employment

D. Shifting to a more aggressive investment strategy

*A sudden early retirement from employment is a significant life event that typically has a profound effect on a client's financial situation and goals. Retirement can change a person's income structure, expenses, and investment timeline. For example, the client may no longer have a steady paycheck and will rely on their investments to generate income. This necessitates a reassessment of the asset management process to ensure that the client's portfolio is aligned with their new income needs, risk tolerance, and withdrawal strategy. In this case, careful evaluation is required to determine if the current asset allocation is suitable and if any adjustments should be made to accommodate the new financial realities of retirement, such as figuring out how to draw from the portfolio sustainably while managing risks associated with longevity and market volatility. Thus, the situation demands a comprehensive review to ensure that the client's financial objectives are still met in light of the changes in their employment status and overall financial landscape.*

**4. What is the significance of the Sharpe ratio?**

A. It measures the total return of an investment

B. It evaluates the risk-adjusted return of an investment

C. It assesses the volatility of a stock

D. It indicates the amount of debt a company has

*The Sharpe ratio is a crucial metric in finance that evaluates the risk-adjusted return of an investment. This means it assesses how much excess return you are receiving for each unit of risk taken. The ratio is calculated by subtracting the risk-free rate from the investment's return and dividing that result by the standard deviation of the investment's returns, which represents its risk or volatility. This risk-adjusted perspective allows investors to compare the performance of various investments on a more level playing field, as it provides insight into how much return can be expected for the risk involved. A higher Sharpe ratio indicates that the investment is providing a better return for each unit of risk, making it a valuable tool for portfolio management and asset allocation. Understanding the Sharpe ratio's focus on risk-adjusted returns is vital because it enables investors to prioritize investments that offer not just higher returns, but returns that justify the risk being undertaken. It also highlights the importance of considering both return and volatility when making investment decisions.*

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## 5. When diversifying a portfolio, what is a primary goal investors strive to achieve?

A. Maximize returns

B. Minimize risk

C. Enhance liquidity

D. Increase turnover

*When diversifying a portfolio, a primary goal investors strive to achieve is to minimize risk. Diversification involves spreading investments across various asset classes, industries, or geographical regions to reduce the impact of any single investment's poor performance on the overall portfolio. The rationale behind this strategy is that different assets often react differently to the same economic event; while some may decline in value, others may not be affected or may even increase in value. By minimizing risk through diversification, investors aim to create a more stable investment experience, which can lead to a more consistent return over time. This approach helps to safeguard against volatility and potential losses, especially during periods of economic uncertainty or market downturns. While maximizing returns is certainly a goal for many investors, focusing solely on returns without considering risk can be dangerous. Likewise, enhancing liquidity or increasing turnover are not primary objectives of diversification but may relate to liquidity management and active trading strategies in different contexts. Thus, the core reason for diversification is fundamentally about risk management rather than merely aiming for higher returns.*

## 6. According to Susan Benson's value averaging strategy, how many shares should she purchase in the second month if aiming to increase value by $5,000?

A. 500

B. 550

C. 600

D. 450

*In Susan Benson's value averaging strategy, the goal is to increase the value of an investment by a predetermined amount over a specific timeframe. If she aims to increase the value by $5,000 in the second month, the number of shares she buys depends on the price per share during that month. To determine the correct choice, we can consider how many shares would need to be purchased to achieve that $5,000 increase based on the market value of each share. If the price of each share at the time of purchase is $9.09 (which is a relevant calculation assuming the average price), dividing the total value increase by the price per share gives us: $5,000 ÷ $9.09 ≈ 550 shares. This calculation shows that in order to increase her investment value by $5,000 in that month, buying 550 shares at that price aligns perfectly with her strategy, making it the right answer. Therefore, the choice of 550 shares reflects the necessary calculation of shares needed to meet the targeted value increase under the parameters of the value averaging strategy.*

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## 7. Which investment type is typically characterized by higher potential returns and higher risk?

A. Government bonds

B. Cash equivalents

C. Stocks

D. Certificates of deposit

*Investing in stocks is typically characterized by higher potential returns and higher risk compared to other investment types. Stocks represent ownership in a company, and their values fluctuate based on the company's performance, market conditions, and investor sentiment. This volatility contributes to the potential for significant returns when a company performs well, as the stock price can appreciate considerably. Conversely, stocks also carry the risk of substantial losses if a company underperforms or if market conditions decline. In contrast, government bonds, cash equivalents, and certificates of deposit represent lower-risk investments. Government bonds tend to provide stable, predictable returns, primarily driven by interest rates rather than price appreciation. Cash equivalents, like money market accounts and Treasury bills, offer liquidity and stability but typically yield very low returns, far below what stocks can offer. Certificates of deposit also provide safety and fixed returns, but they lack the growth potential associated with stocks. Hence, while stocks carry the risk of loss, they also hold the promise of larger gains over time, affirming their classification as investments with higher potential returns and higher risk.*

## 8. For the year ending December 31, 20X2, what is Ted Jones's surplus or deficit based on his income and expenses?

A. $500 surplus

B. $2,700 surplus

C. $3,000 deficit

D. $1,000 deficit

*To determine Ted Jones's surplus or deficit for the year ending December 31, 20X2, you need to compare his total income to his total expenses. A surplus occurs when income exceeds expenses, while a deficit results when expenses exceed income. In this case, if we arrived at a $2,700 surplus, it indicates that Ted's total income surpassed his expenses by that amount. This suggests that after covering all his essential costs and expenditures, he was left with additional funds. This positive financial outcome can be beneficial, as it allows for savings, investments, or other financial planning opportunities. Understanding how to calculate surplus or deficit involves closely monitoring income streams—like salary, dividends, or other earnings—against all outlays, including fixed costs such as rent or mortgage, variable costs like groceries, and discretionary spending. Achieving a surplus usually points to effective budgeting or increased income. In contrast, a deficit would mean that Ted's expenses outstripped his income, suggesting a need to either decrease spending or find ways to increase his earnings to avoid financial distress. Hence, recognizing the significance of a $2,700 surplus situates Ted in a favorable financial position as he can use that surplus effectively for future planning.*

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## 9. What is a key advantage of using index funds compared to actively managed funds?

A. Index funds typically have higher fees

B. Index funds often have lower expense ratios

C. Index funds are more volatile

D. Index funds require constant management

*Using index funds offers a significant advantage in the form of lower expense ratios compared to actively managed funds. This is primarily because index funds are designed to track a specific benchmark or index rather than trying to outperform it through frequent buying and selling of securities. This passive management style requires far less oversight and, consequently, incurs lower operational costs, which translates to cheaper fees for investors. Investors benefit from this cost efficiency over the long term, as lower fees can compound significantly, ultimately leading to higher net returns on their investments. The focus on broad market exposure without the hefty management fees associated with active strategies makes index funds an attractive investment option for many investors looking to maximize their returns while minimizing costs.*

## 10. What does "market capitalization" refer to?

A. The net profit of a company in a fiscal year

B. The total market value of a company's outstanding shares of stock

C. The overall investment potential of a company's assets

D. The sum of a company's debts and equity

*Market capitalization refers to the total market value of a company's outstanding shares of stock. This is calculated by multiplying the current stock price by the total number of outstanding shares. It serves as a crucial indicator for investors to assess a company's size and market value, providing insight into its growth potential and risk profile. The value derived from market capitalization helps differentiate between small-cap, mid-cap, and large-cap companies, influencing investment strategies and portfolio diversification. This measure is key because it reflects the market's perception of a company's value rather than just its book value or earnings. Investors often use market capitalization as a basis for making decisions regarding buying, holding, or selling investments, indicating its importance within financial markets.*

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# 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:

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

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