ACCREDITED INVESTMENT FIDUCIARY (AIF) TRAINING PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

VISIT US ONLINE FOR THE FULL VERSION STUDY GUIDE

https://aiftraining.examzify.com

Copyright © 2026 by Examzify - A Kaluba Technologies Inc. product.

ALL RIGHTS RESERVED.

No part of this book may be reproduced or transferred in any form or by any means, graphic, electronic, or mechanical, including photocopying, recording, web distribution, taping, or by any information storage retrieval system, without the written permission of the author.

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

SAMPLE

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.

SAMPLE

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!

SAMPLE

Questions

SAMPLE

1. Which safe harbor provisions are unique only to the Fiduciary Adviser Safe Harbor?

A. A required annual audit of an eligible investment advice arrangement

B. The plan fiduciary must monitor the activities of prudent experts to assure they are performing the roles for which they were selected

C. Prudent experts must acknowledge their fiduciary status in writing

D. Prudent experts must be selected by a prudent due diligence process

2. All of the following are variables included in the Capital Asset Pricing Model EXCEPT:

A. Standard Deviation

B. An Error Term

C. Risk-Free Return

D. Beta

3. Safe Harbor provisions, applicable to committee- and/or advisor-directed investment processes, include all of the following EXCEPT:

A. Terminate 'prudent experts' that fail ongoing due diligence

B. Monitor the activities of the 'prudent experts'

C. Use 'prudent experts'

D. Follow a due diligence process when selecting 'prudent experts'

4. Bundled fees can be properly evaluated without actually breaking them into their component parts.

A. True

B. False

C. Not specified in the policy

D. It depends

5. The investment policy statement should be specific enough that a _____ could implement the plan.

A. A competent third party could implement the plan

B. The investment committee could implement the plan

C. A CPA could implement the plan

D. A Broker could implement the plan

SAMPLE

6. The monitoring phase is the most labor-intensive and time-consuming activity in the fiduciary quality management process.

A. True

B. False

C. Not stated

D. Unknown

7. What is the best way to rebalance a particular asset class?

A. Ignore tax implications, as over time they are insignificant

B. Time the transfer of assets to coincide with a recent downturn in the market

C. Scheduling a meeting of the investment committee

D. Utilize a known, upcoming disbursement or contribution

8. A custodian does not perform fiduciary roles.

A. True

B. False

C. It depends on the custodian

D. Only in non fiduciary accounts

9. When the fiduciary provides at least three investment options in accordance with 404(c) Safe Harbor requirements, the fiduciary has complete discretion over all investment decisions.

A. True

B. False

C. Only for self-directed accounts

D. Depends on the assets

10. When setting upper and lower limits that would trigger a rebalancing decision, consideration should be given to:

A. How often periodic client/advisor meetings are held

B. What is the current interest rate

C. Whether the client is a foundation/endowment or a high net worth individual

D. Keeping the client aligned with their risk/return profile

SAMPLE

Answers

SAMPLE

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

SAMPLE

Explanations

SAMPLE

1. Which safe harbor provisions are unique only to the Fiduciary Adviser Safe Harbor?

A. A required annual audit of an eligible investment advice arrangement

B. The plan fiduciary must monitor the activities of prudent experts to assure they are performing the roles for which they were selected

C. Prudent experts must acknowledge their fiduciary status in writing

D. Prudent experts must be selected by a prudent due diligence process

The main concept here is that certain safe harbor provisions have distinct, standout requirements that set one safe harbor apart from others. The annual audit of the eligible investment advice arrangement is the feature that uniquely distinguishes the Fiduciary Adviser Safe Harbor. This annual audit provides independent verification that the arrangement continues to operate in a fiduciary, compliant manner and helps identify conflicts of interest or improper practices on an ongoing basis, reinforcing accountability. The other elements—monitoring the activities of prudent experts to ensure they perform their roles, having prudent experts acknowledge fiduciary status in writing, and selecting prudent experts through a prudent due diligence process—are important governance and due-diligence practices that support fiduciary oversight generally, but they aren't unique to this safe harbor. They can be found in broader fiduciary frameworks and other safe harbors, whereas the annual audit is a distinctive requirement of the Fiduciary Adviser Safe Harbor.

2. All of the following are variables included in the Capital Asset Pricing Model EXCEPT:

A. Standard Deviation

B. An Error Term

C. Risk-Free Return

D. Beta

CAPM ties an asset's expected return to its exposure to market movements, not to its total risk. The pricing equation is the risk-free rate plus the asset's beta times the market risk premium, so $E(R_i) = R_f + \beta_i [E(R_m) - R_f]$. Because diversification can eliminate idiosyncratic risk, only systematic risk shows up in the expected return; the total risk expressed by standard deviation is not a pricing input in CAPM. The risk-free rate provides the baseline return, and beta measures how strongly the asset moves with the market, determining the extra compensation for bearing market risk. In estimation, you might see an error term to account for deviations from the line, but it doesn't constitute a fundamental input to the CAPM pricing relation.

SAMPLE

3. Safe Harbor provisions, applicable to committee- and/or advisor-directed investment processes, include all of the following EXCEPT:

A. Terminate 'prudent experts' that fail ongoing due diligence

B. Monitor the activities of the 'prudent experts'

C. Use 'prudent experts'

D. Follow a due diligence process when selecting 'prudent experts'

In this context, Safe Harbor provisions for committee- and/or advisor-directed investment processes hinge on using independent investment experts and following a documented, prudent process. The protections come from three core actions: selecting prudent experts through a thorough due diligence process, using those experts to identify and implement investments, and continually monitoring the experts' activities to ensure they remain aligned with the plan's goals and standards. Terminating prudent experts that fail ongoing due diligence is not itself a specified Safe Harbor requirement. You can, of course, remove an expert if monitoring reveals problems, but the Safe Harbor framework emphasizes having the documented process, the ongoing use of experts, and ongoing monitoring rather than a formal termination rule as part of the Safe Harbor language. The other elements—using prudent experts, monitoring their activities, and following a due diligence process to select them—are the components that the Safe Harbor provisions explicitly support.

4. Bundled fees can be properly evaluated without actually breaking them into their component parts.

A. True

B. False

C. Not specified in the policy

D. It depends

Bundled fees must be broken into their individual parts to judge the true cost and value delivered. When fees are bundled, several different charges—such as a management or advisory fee, underlying fund expenses, admin or servicing fees, and any revenue sharing or distribution costs—are combined into a single number. Each component affects net performance differently and can carry its own incentives, so looking only at the total can obscure which parts are driving costs or conflicts of interest. Understanding the breakdown lets you compare options on an apples-to-apples basis, assess how much of the bundle actually goes toward investment management versus other charges, and determine whether the fee structure aligns with the client's interests. For example, a seemingly modest bundled rate might hide high underlying fund expenses or revenue sharing that erode net returns, whereas a transparent breakdown makes those effects clear and easier to evaluate against alternatives. So, evaluating properly typically requires dissecting the bundle rather than accepting the single stated total.

SAMPLE

5. The investment policy statement should be specific enough that a _____ could implement the plan.

A. A competent third party could implement the plan

B. The investment committee could implement the plan

C. A CPA could implement the plan

D. A Broker could implement the plan

The main idea is that an investment policy statement should be concrete and actionable so a qualified external party can carry out the plan without needing further interpretation. When the IPS is written with clear objectives, constraints, asset ranges, risk tolerances, and implementation details, an external, competent manager or consultant can take those instructions and execute the strategy consistently. This setup promotes objectivity, accountability, and discipline in execution, while reducing reliance on internal individuals who might interpret or dispute aspects of the policy. A CPA and a broker have important roles, but they aren't typically responsible for implementing the entire investment strategy. A CPA handles tax and accounting concerns, not day-to-day investment decision-making. A broker focuses on executing trades and may not manage the overall policy, risk controls, or monitoring framework. The investment committee could oversee and approve decisions, but implementing the plan often requires specialized investment expertise and the capacity to manage ongoing allocation, manager selection, rebalancing, and risk management. An external, competent third party is best positioned to translate the IPS into action while maintaining objectivity and professional standards.

6. The monitoring phase is the most labor-intensive and time-consuming activity in the fiduciary quality management process.

A. True

B. False

C. Not stated

D. Unknown

The key idea is that monitoring is an ongoing, comprehensive activity. In fiduciary quality management, monitoring continually checks how well the plan is performing, whether investment decisions are meeting goals, and whether policies, risk controls, and compliance requirements are being followed. It also involves tracking manager performance, fees, service levels, data quality, and operational controls, then analyzing results, documenting findings, reporting to decision makers, and implementing timely corrective actions. Because this work is continuous and touches every part of the fiduciary process, it requires frequent data collection, frequent analysis, and ongoing follow-through, which tends to consume more time and resources than the upfront design or the initial implementation. That sustained, wide-ranging effort is why monitoring is typically the most labor-intensive phase.

SAMPLE

7. What is the best way to rebalance a particular asset class?

A. Ignore tax implications, as over time they are insignificant

B. Time the transfer of assets to coincide with a recent downturn in the market

C. Scheduling a meeting of the investment committee

D. Utilize a known, upcoming disbursement or contribution

Rebalancing works best when you use predictable cash flows to the portfolio. Directing a known upcoming disbursement or contribution into the asset class that is underweight helps bring the overall allocation back to the target without selling existing holdings. This leverages new money to adjust weights, keeping the risk profile aligned with the policy while minimizing unnecessary transaction costs and tax consequences in taxable accounts. Other approaches fall short because ignoring taxes can create avoidable tax costs, market-timing the rebalancing to a downturn is unreliable and risky, and waiting for a formal committee meeting slows down the process and allows drift to continue. Using incoming cash flows is a practical, timely way to maintain the intended mix.

8. A custodian does not perform fiduciary roles.

A. True

B. False

C. It depends on the custodian

D. Only in non fiduciary accounts

The key idea here is the distinction between custodial duties and fiduciary duties. A custodian's primary job is to hold and protect assets, handle safekeeping, settlement, and recordkeeping, and perform administrative tasks. They do not typically make investment decisions or give advice in a way that obligates them to act in the best interests of a beneficiary—that's what fiduciaries do. So, in the usual sense, a custodian does not perform fiduciary roles. The only time fiduciary duties come into play is if the custodian also serves in another capacity that carries fiduciary responsibility (for example, as a trustee or a fiduciary under a retirement plan). In that separate role, fiduciary duties apply, but not as a general attribute of custodians.

9. When the fiduciary provides at least three investment options in accordance with 404(c) Safe Harbor requirements, the fiduciary has complete discretion over all investment decisions.

A. True

B. False

C. Only for self-directed accounts

D. Depends on the assets

Under 404(c) Safe Harbor, once a plan offers a menu of at least three investment options and allows participants to direct plan assets among them, the fiduciary's liability for investment decisions is limited to the choices the fiduciary makes in selecting and monitoring those options. The actual investment decisions are made by the participants, not by the fiduciary. So having at least three options does not grant the fiduciary complete discretion over every investment; it shifts discretion to the participant's directions within the available lineup. The fiduciary still has duties to prudently select and monitor the options, ensure reasonable fees, and provide the required information to participants. If the plan doesn't meet these safe harbor conditions, the fiduciary could face greater liability for investment decisions.

SAMPLE

10. When setting upper and lower limits that would trigger a rebalancing decision, consideration should be given to:

A. How often periodic client/advisor meetings are held

B. What is the current interest rate

C. Whether the client is a foundation/endowment or a high net worth individual

D. Keeping the client aligned with their risk/return profile

The central idea is to keep the portfolio's level of risk and expected return in line with what the client is willing and able to accept. Upper and lower rebalancing limits are set around the target asset allocation so that when market movements push the mix outside those boundaries, trades are triggered to bring the portfolio back to the intended balance. This maintains consistency with the client's risk tolerance, time horizon, and financial objectives, which is what the rebalancing decision is designed to protect. Other factors don't directly determine when to rebalance. How often you meet with the client affects communication cadence, not the portfolio's drift. Current interest rates describe market conditions that influence asset values, but they aren't the rule for triggering a rebalance. Whether the client is a foundation/endowment or a high net worth individual may influence constraints or tax considerations, but the trigger itself is driven by staying aligned with the client's risk/return profile.

SAMPLE

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://aiftraining.examzify.com

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

SAMPLE