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.

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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 pension planning option provides guaranteed income for life?

A. Annuity

B. Drawdown strategy

C. Lump-sum withdrawal

D. Auto-enrolment

2. Upon maturity of a Retirement Annuity Contract (RAC), what amount, if any, must Evelyn transfer to an AMRF or use to buy an annuity from the RAC maturity?

A. €30,000

B. €63,500

C. Nil

D. €43,500

3. Emma requires a pension of €10,000 per annum starting in 10 years' time. If the annuity rate applying in 10 years' time for the type of pension she wants will be 4%, what lump sum does she need to invest now to make up that pension in 10 years' time, assuming her investment can earn a return of 5% per annum compound over that period?

A. €186,000

B. €153,500

C. €195,250

D. €201,250

4. Which statement best describes longevity risk?

A. A risk arising from market fluctuations.

B. The risk that beneficiaries live longer than expected.

C. The risk that inflation will erode purchasing power.

D. The risk that investments cannot be liquidated quickly.

5. A pensioneer trustee of a small self-administered pension scheme MUST be:

A. A Company

B. A Co-Signatory on All Financial Transactions of the Scheme

C. Authorized by the Central Bank

D. The Only Trustee of the Scheme

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6. What is a survivor's pension and how is it typically structured?

A. A pension paid to dependents only while the member is alive

B. A pension paid to a spouse or dependent after the member's death, often a percentage of the pension or a set amount

C. A lump-sum on death

D. A savings account for survivors

7. Joanne, aged 48, has a preserved benefit in her former employer's DC pension scheme. She has now joined a new employer who operates a DC pension scheme. Which option in relation to her preserved benefit will NOT provide her with the traditional benefit option when she comes to draw on her benefits?

A. Keep preserved in former scheme

B. Take transfer value to PRSA

C. Take transfer value to Buy-Out Bond

D. Take transfer value to her new employer's pension scheme

8. A Certificate of Benefit Comparison is NOT required for a transfer value to be paid in lieu of a preserved benefit from an employer pension scheme to a PRSA if the transfer value is less than which amount?

A. €10,000

B. €12,700

C. €15,000

D. €20,000

9. What is the maximum personal contribution Sharon can claim tax relief on in 2020 given a remuneration of €100,000?

A. €30,000

B. €25,000

C. €28,750

D. €29,250

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10. What is the main tax treatment of retirement lump sums and regular pension income?

A. Lump sums can have tax-free components within limits; regular pension income is taxed as earned income in retirement.

B. Lump sums taxed fully; pension income taxed at source.

C. Lump sums taxed fully; pension income tax-free.

D. Both lump sums and pension income are tax-free.

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Answers

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

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Explanations

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1. Which pension planning option provides guaranteed income for life?

A. Annuity

B. Drawdown strategy

C. Lump-sum withdrawal

D. Auto-enrolment

The main idea being tested is turning pension savings into a guaranteed income stream for life. An annuity does exactly that: you swap a lump sum for regular payments that continue for as long as you live (and often for a spouse if you choose a joint option). This shift of risk from you to the insurer provides certainty, so you won't outlive your savings and you can budget with confidence, even if investment markets are unpredictable. In contrast, a drawdown strategy keeps the pension pot invested and you withdraw amounts as needed. There's no guaranteed level of income, so payments can vary with investment performance and the remaining fund, which means a higher risk of running out of money in retirement. A lump-sum withdrawal takes money out in one go, giving no ongoing payments at all. Auto-enrolment is simply the mechanism that puts you into a workplace pension and contributes over time; it isn't a method for providing guaranteed income in retirement.

2. Upon maturity of a Retirement Annuity Contract (RAC), what amount, if any, must Evelyn transfer to an AMRF or use to buy an annuity from the RAC maturity?

A. €30,000

B. €63,500

C. Nil

D. €43,500

When a RAC matures, you have flexibility in how you crystallize the fund. There is no fixed amount that must be transferred to an AMRF or necessarily used to buy an annuity from the RAC maturity. You can choose to purchase an annuity from the RAC, take a lump sum, or transfer into an AMRF/ARF later if you wish. Because there's no mandatory minimum transfer amount at maturity, the correct answer is nil.

3. Emma requires a pension of €10,000 per annum starting in 10 years' time. If the annuity rate applying in 10 years' time for the type of pension she wants will be 4%, what lump sum does she need to invest now to make up that pension in 10 years' time, assuming her investment can earn a return of 5% per annum compound over that period?

A. €186,000

B. €153,500

C. €195,250

D. €201,250

This problem combines two small steps: first, figure out how much money is needed at the start of the pension to produce €10,000 every year given the future annuity rate; second, discount that amount back to today using the expected investment return. At 10 years' time, to generate €10,000 per year with an annuity rate of 4%, you'd need capital of 10,000 ÷ 0.04 = €250,000. To have €250,000 in 10 years starting from now, with an annual return of 5% compounded, the present value is 250,000 ÷ (1.05)^10. Since (1.05)^10 ≈ 1.6289, the present value is about 250,000 ÷ 1.6289 ≈ €153,500. So, the lump sum to invest now is approximately €153,500.

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4. Which statement best describes longevity risk?

A. A risk arising from market fluctuations.

B. The risk that beneficiaries live longer than expected.

C. The risk that inflation will erode purchasing power.

D. The risk that investments cannot be liquidated quickly.

Longevity risk is the possibility that people live longer than the assumptions used when funding pensions. If actual lifespans exceed those expectations, the plan must provide benefits for more years than planned, which can create funding shortfalls unless contributions or benefits are adjusted or hedged. The statement describing beneficiaries living longer than expected captures this risk precisely. By contrast, market fluctuations refer to asset price movements, inflation risk to the erosion of purchasing power, and liquidity risk to difficulty selling assets quickly—each addressing a different challenge for a pension program.

5. A pensioneer trustee of a small self-administered pension scheme MUST be:

A. A Company

B. A Co-Signatory on All Financial Transactions of the Scheme

C. Authorized by the Central Bank

D. The Only Trustee of the Scheme

In a small self-administered pension scheme, there's a need for independent oversight of the scheme's finances. The pensioneer trustee exists to provide that extra layer of checks, and their main duty is to countersign all financial transactions of the scheme. This means no payment, investment, loan, or transfer can be completed without the pensioneer trustee's sign-off alongside the other trustees, helping to prevent misuse and conflicts of interest. That's why the statement about the pensioneer trustee being a co-signatory on all financial transactions is the best description. It isn't about being a company or needing authorization from the Central Bank, and it doesn't require the pensioneer to be the sole trustee—the essential point is the required independent co-signature on all financial dealings.

6. What is a survivor's pension and how is it typically structured?

A. A pension paid to dependents only while the member is alive

B. A pension paid to a spouse or dependent after the member's death, often a percentage of the pension or a set amount

C. A lump-sum on death

D. A savings account for survivors

A survivor's pension is ongoing financial support provided to the member's spouse or dependent after the member dies. It is typically structured as either a percentage of the member's pension or a fixed amount, and it can be paid for the survivor's lifetime or for a defined period, depending on the plan's rules. The purpose is to maintain financial support for survivors rather than paying a single lump sum. Some schemes adjust the amount for inflation and may have rules about eligibility or reductions if there are other pensions or income. This differs from a lump-sum on death or a savings account, which are one-off or not specifically designed to provide ongoing survivor income.

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7. Joanne, aged 48, has a preserved benefit in her former employer's DC pension scheme. She has now joined a new employer who operates a DC pension scheme. Which option in relation to her preserved benefit will NOT provide her with the traditional benefit option when she comes to draw on her benefits?

A. Keep preserved in former scheme

B. Take transfer value to PRSA

C. Take transfer value to Buy-Out Bond

D. Take transfer value to her new employer's pension scheme

When you have a preserved benefit in a defined contribution scheme, the traditional way to draw benefits is to secure a lifetime income, typically by buying an annuity or accessing a guaranteed pension option within the chosen arrangement. Moving the preserved value to a PRSA shifts you into a flexible savings vehicle rather than preserving a built in, scheme-based lifetime income guarantee. A PRSA itself is not a pension scheme that automatically provides a guaranteed lifetime income; you would have to use the PRSA to buy an annuity separately or opt for drawdown, but the default, built in traditional option from the old DC scheme isn't carried over. The other routes—keeping the benefit in the former scheme, or transferring to a Buy-Out Bond or to the new employer's scheme—are more aligned with preserving or enabling a guaranteed, lifetime income path within a structured pension framework. So transferring to a PRSA is the route that does not inherently provide the traditional benefit option.

8. A Certificate of Benefit Comparison is NOT required for a transfer value to be paid in lieu of a preserved benefit from an employer pension scheme to a PRSA if the transfer value is less than which amount?

A. €10,000

B. €12,700

C. €15,000

D. €20,000

The key idea is that a Certificate of Benefit Comparison (COBC) is normally needed to compare benefits when transferring a preserved benefit to a PRSA, but there's a threshold below which the regulator allows this COBC to be avoided to simplify small transfers. That threshold is €10,000. So if the transfer value is less than €10,000, a COBC is not required. The other amounts aren't the threshold because they would represent higher limits; transfers below those levels would still be subject to the COBC rule unless they fall under the €10,000 exemption. For example, a transfer of €9,500 would not require a COBC, whereas a transfer of €11,000 would require one.

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9. What is the maximum personal contribution Sharon can claim tax relief on in 2020 given a remuneration of €100,000?

A. €30,000

B. €25,000

C. €28,750

D. €29,250

Tax relief on personal pension contributions in Ireland is limited by an age-related percentage of your net relevant earnings. The percentage depends on your age, so the amount you can contribute and still claim relief isn't the full salary but that percentage of NRE. In this scenario, with a remuneration of €100,000, the typical band for someone around 40–49 years old gives an age-related percentage of 25%. So the maximum personal contribution that can qualify for tax relief is 25% of net relevant earnings. Using €100,000 as a stand-in for NRE, that amount is €25,000. Any contribution above this would not attract tax relief under the standard rules. The other options correspond to higher percentages that don't align with Sharon's assumed age band, which is why €25,000 is the correct maximum. If Sharon's age were different, the percentage—and thus the maximum—would change accordingly.

10. What is the main tax treatment of retirement lump sums and regular pension income?

A. Lump sums can have tax-free components within limits; regular pension income is taxed as earned income in retirement.

B. Lump sums taxed fully; pension income taxed at source.

C. Lump sums taxed fully; pension income tax-free.

D. Both lump sums and pension income are tax-free.

Tax treatment hinges on the distinction between a tax-free portion of a lump sum and the taxation of ongoing pension income as ordinary income. A retirement lump sum can include a tax-free component up to a certain limit, with any excess taxed. Ongoing pension payments are treated as regular income and taxed at the individual's marginal tax rate as they are received. This reflects why the lump sum isn't taxed in full while pension income is paid under normal income taxation. The alternative ideas aren't consistent with this approach: lump sums aren't taxed fully, and pension income isn't tax-free.

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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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