

ESTATE PLANNING PRIMER – FINAL EXAM

1. **Estate assets** are anything a person owns that has value. **Legally** speaking, however, assets consist of _____.
 - A. Unencumbered property
 - B. Property that is available to pay debts
 - C. Possessions that can be sold within 30 days
 - D. Any property that can be titled
2. If there is **no will** and no executor designated for an estate, the court will appoint _____ who has the same duties as an executor.
 - A. A judge
 - B. A trustee
 - C. An administrator
 - D. A substitute beneficiary
3. A possible consideration for aid in paying federal estate taxes due upon death is **IRS Code Section 6166** which allows _____.
 - A. Installment payments
 - B. Cancellation of taxes due
 - C. Waiver of all state tax
 - D. A reduction in tax due to illness
4. A **business insurance trust** is created to allow for the _____ of a business interest so that both the business and the decedent's family benefit.
 - A. Continuation or disposition
 - B. Outright sale
 - C. Refinance
 - D. Total restructure
5. What are the **three legal means** by which an estate can be administered
 - A. By means of finance, accounting, liquidation
 - B. By means of will, trust, power of appointment
 - C. By means of voter stock, judicial review, juris appointment
 - D. By means of luck, song, prayer
6. **Vested interest in a pension** means that _____.
 - A. The value of the pension has exceeded \$100,000
 - B. The value of the pension has exceeded \$500,000
 - C. A creditor has liened the pension
 - D. Monies are due even if the person has not yet retired
7. A **durable health care power** authorizes another person to make medical decisions _____.
 - A. For a person who is unable to do so
 - B. For all beneficiaries of a trust
 - C. In the absence of an executor
 - D. For a parent or legal guardian
8. A **gift of property** is _____, so an estate owner should carefully examine assets before gifting.
 - A. Tax free
 - B. Revocable
 - C. Irrevocable
 - D. Never a good idea
9. A **conservation device** is a plan through which property in an estate is managed so that it _____.
 - A. Is conserved for the primary beneficiary
 - B. Cannot be attached by creditors
 - C. Will irrevocably pass to future generations
 - D. Is not wasted or depleted by unnecessary expenditures
10. Which of the following is NOT considered to be a **FINAL EXPENSES**
 - A. Medical expenses
 - B. Funeral expenses
 - C. New life insurance policy
 - D. Estate administrative costs
11. When considering the **welfare of minor children**, the estate planner should factor _____ as well as financial needs for _____.
 - A. Tax rates / Entertainment
 - B. Basic support needs / Education
 - C. Basic support needs / Tax rates
 - D. Liquidity / appreciation
12. Because the **trustee is personally liable**, he must have certain _____ in order to execute his trust duties.
 - A. Financial rewards
 - B. Exemptions
 - C. Due dates
 - D. Powers or authority

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13. What guidelines must be met in order for life insurance to qualify for **tax-favored status**

- A. It must meet the definition of life insurance established by domestic or foreign law
- B. It must pass the cash value accumulation test or guideline premium cash corridor test
- C. Mortality charges must be *reasonable* for contracts formed on or after 10/88
- D. All of the above must be met.

14. If discovered, the **fraudulent conveyance** of property may void the transfer of the property if it is done _____ and with intent to avoid creditors.

- A. Without witnesses
- B. Without notarization
- C. Without adequate consideration
- D. Without a court approval

15. **Income-producing value** is defined as the amount of _____.

- A. Internalized return generated by real estate
- B. Income a property does produce or can be expected to produce
- C. Gross multiple value of commercial real estate
- D. Residual value from income

16. **Testamentary trust assets** must go to probate, so they are subject to _____.

- A. Annual audits by potential beneficiaries
- B. Court supervision at time of death
- C. Estate taxes
- D. Creditor claims

17. A large drawback to the **private annuity** is that in order to qualify for estate tax benefits, the buyer's promise to pay the annuity must be _____.

- A. Unsecured
- B. Secured by the buyer's home
- C. Guaranteed
- D. Notorized

18. In order to qualify as a gift under the **Uniform Gifts to Minors Act**, there must be only _____ and the account must bear the child's Social Security Number.

- A. One child per account
- B. Cash gifts
- C. One custodian and one child per account
- D. Marketable gifts

19. The **gross estate** of a deceased individual must be valued as of the date of death or _____.

- A. 90 days later
- B. 6 months later
- C. 9 months later
- D. 12 months later

20. The marital deduction permits _____ property transfers to a surviving spouse.

- A. Any amount of property (unlimited)
- B. Limited
- C. \$1 million or less
- D. Up to \$5,000,000

END OF EXAM

