

# HS-330<sup>Q&As</sup>

Fundamentals of Estate Planning Test

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**QUESTION 1**

A father plans to create a trust for the benefit of his 22-year-old son and wishes to take advantage of the gift tax annual exclusion. He has named a bank as trustee. Which of the following trust provisions would cause the gifts to be ineligible to qualify for the gift tax annual exclusion?

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The trust income is to be paid to the son or accumulated at the discretion of the trustee.

-

The income is to be accumulated until the son reaches age 32 when all accumulated income and principal are to be distributed to him.

A.

1 only

B.

Neither 1 nor 2

C.

Both 1 and 2

D.

2 only

Correct Answer: C

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**QUESTION 2**

Generally all the following statements concerning life insurance arrangements for partnership buy- sell agreements are correct EXCEPT:

A. With an entity-purchase agreement the partnership strives to maintain face amounts of coverage equal to its obligations under the agreement.

B. With a cross-purchase agreement each partner purchases life insurance on the life of each of the other partners.

C. With an entity-purchase agreement the formula used for determining the number of life insurance policies needed is  $N$  (number of partners) + 1.

D. With a cross-purchase agreement the individual partners are the applicants, owners, beneficiaries and premium-payers of the policies.

Correct Answer: C

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**QUESTION 3**

All the following items will be included in a decedent's gross estate at their date of death value for federal estate tax purposes EXCEPT

- A. a no-refund life annuity payable to the decedent that was purchased by the decedent from a life insurance company
- B. a gratuitous lifetime transfer of property in which the decedent retained the power to revoke the transfer with the consent of another person
- C. a gratuitous transfer of property taking effect at the decedent's death
- D. a gratuitous lifetime transfer in which the decedent retained a reversionary interest on the date of death equivalent to more than 5 percent of the value of the property

Correct Answer: A

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**QUESTION 4**

A father wants to accumulate funds for his 12-year-old son's college education. On the advice of his attorney, the father establishes an IRC Section 2503(c) trust and funds it with annual gifts. All the following statements concerning this arrangement are correct EXCEPT:

- A. Any accumulated income and all trust principal must be available for distribution to the son when he attains age 21.
- B. The father's annual gift tax exclusion must be reduced by any amount used to pay college tuition costs.
- C. The trust must be irrevocable.
- D. In the event of the son's death prior to age 21, trust assets must either be payable to the son's estate or be subject to a general power of appointment held by the son.

Correct Answer: B

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**QUESTION 5**

All the following statements concerning a federal estate tax deduction for a bequest or gift to a qualified charity are correct EXCEPT:

- A. The amount of a charitable deduction may not exceed 50 percent of a decedent's adjusted gross estate.
- B. An estate may deduct the value of the remainder interest in a charitable remainder trust.
- C. A life insurance policy that was assigned to a charity as a gift less than 3 years prior to the insured's death qualifies for a charitable deduction.
- D. The amount of a charitable deduction is reduced by any taxes and administrative expenses chargeable against the bequest.

Correct Answer: A

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