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Vendor:American College

Exam Code:HS-330

Exam Name:Fundamentals of Estate Planning Test

Version:Demo

QUESTION 1

A father is considering giving his daughter a gift. For tax planning purposes, the father should give his daughter which of the following?

- A. Raw land that cost him \$10,000, its present fair market value, but which has a substantial potential for appreciation
- B. Real estate that cost him \$40,000 and is now worth \$120,000, subject to a \$110,000 mortgage
- C. Stock that cost him \$10,000 and which now has a fair market value of \$20,000
- D. A bond that cost him \$15,000 and is now worth \$10,000

Correct Answer: A

QUESTION 2

To determine whether a taxable gift has been made, the Treasury Regulations require that there must initially be a definite finding that the

- A. donor was a close friend or a relative of the donee
- B. property was transferred for less than an adequate and full consideration in money or money's worth
- C. transferor's actual state of mind was such that he intended to make a gift
- D. property transferred was real property or tangible personal property

Correct Answer: B

QUESTION 3

Which of the following statements concerning the obligation of the personal representative of a decedent to file a federal estate tax return is (are) correct?

1.

A return must be filed by a decedent's estate if the gross estate plus adjusted taxable gifts equals the applicable exclusion amount or more, even though no federal estate tax is due.

2.

Unless extensions are granted, the return must be filed and the tax paid within 9 months of the decedent's death.

- A. Neither 1 nor 2
- B. Both 1 and 2
- C. 1 only
- D. 2 only

Correct Answer: B

QUESTION 4

A taxable gift has been made in which of the following situations?

1.

A father manages his disabled son's business for a year without compensation since a replacement manager would have cost \$25,000.

2.

A father verbally promises his 21-year-old daughter that he will give her his antique Mercedes when she graduates from college next year.

A. Neither 1 nor 2

B. Both 1 and 2

C. 1 only

D. 2 only

Correct Answer: A

QUESTION 5

A man is planning to establish and fund an irrevocable trust for the benefit of his two sons, ages 19 and 22, and plans to give the trustee power to sprinkle trust income. From the standpoint of providing federal income, gift, and estate tax savings, which of the following would be a suitable trustee?

1.

The grantor of the trust

2.

The grantor's 22-year-old son

A. Neither 1 nor 2

B. 1 only

C. Both 1 and 2

D. 2 only

Correct Answer: A

QUESTION 6

A single man with substantial assets and income is supporting his 80-year-old partially senile mother with monthly cash gifts. He is trying to find a practical way to support his mother while at the same time saving federal gift and income taxes without giving up ultimate control of any assets. Which of the following courses of action will best accomplish these objectives?

- A. Make her a gift of enough corporate bonds from his portfolio so that she will be able to support herself from the interest payments
- B. Make her an interest free loan with a principal amount large enough to produce sufficient income for her support when invested in corporate bonds
- C. Make her annual gifts of enough interest income from the tax free municipal bonds in his portfolio so that she will be able to support herself
- D. Purchase corporate bonds that pay interest in an amount sufficient for her to support herself and assign the interest payments to her

Correct Answer: C

QUESTION 7

A man established and funded an irrevocable trust and named a bank as trustee. All income from the trust is to be paid to his four grandchildren. Which of the following powers retained by the grantor of the trust will cause all or a portion of the trust assets to be includible in his gross estate for federal estate tax purposes?

1.
The power to add principal to the trust
 2.
The power to vary the amounts of trust income paid to each grandchild
- A. Neither 1 nor 2
 - B. Both 1 and 2
 - C. 1 only
 - D. 2 only

Correct Answer: D

QUESTION 8

All the following trust provisions avoid causing the inclusion of an irrevocable life insurance trust in an insured's gross estate EXCEPT

- A. a trust beneficiary's power to withdraw contributions to the trust
- B. a trustee's power to loan assets to the estate at the trustee's discretion
- C. a trustee's power to pay estate expenses

D. a trustee's power to purchase assets from the estate at the trustee's discretion

Correct Answer: C

QUESTION 9

Which of the following transactions is a taxable gift for federal gift tax purposes?

A. A grandmother purchased a U.S. savings bond that is registered as payable to her and her two grandchildren and the bond has not yet been surrendered for cash.

B. A father made a deposit of \$100,000 into a bank account titled jointly with his son, and the son has not yet made any withdrawals.

C. A mother purchased listed common stocks titling them in joint names with her daughter and the stocks have not yet been sold.

D. A man deeded real estate to his sister but did not record the deed nor did he deliver the deed to his sister.

Correct Answer: C

QUESTION 10

The federal gift tax is

A. a tax on the right of the donee to receive the property

B. levied directly on the gift

C. a flat tax based on gifts made in any taxable year

D. a tax on the right of the donor to make the gift

Correct Answer: D

QUESTION 11

Which of the following statements concerning ownership of property under a tenancy by the entirety is correct?

A. It is a form of property ownership that applies only to personal property.

B. The property will be in the probate estate of the first joint tenant to die.

C. One tenant can freely transfer his or her property interest to a third person.

D. It is a form of property ownership available only to married persons.

Correct Answer: D

QUESTION 12

All the following statements concerning a complex trust are correct EXCEPT:

- A. The trustee may make distributions of principal to trust beneficiaries.
- B. Beneficiaries must receive all distributable net income in the year received by the trust.
- C. Beneficiaries are taxed on their share of distributable net income when received by them.
- D. A complex trust may make gifts to charity.

Correct Answer: B