HS-330 Q&As

Fundamentals of Estate Planning Test

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QUESTION 1

Income earned but unpaid at the time of a decedent\\'s death is deemed to be income in respect of a decedent (IRD). All the following statements concerning IRD are correct EXCEPT:

A. The income must be reported on the decedent\\'s final federal income tax return.

B. IRD includes sales commissions earned prior to the decedent\\'s death and paid to the estate according to the intestacy laws.

C. The income is taxable to the person or entity receiving it.

D. The income may be included on both the estate tax return and the estate income tax return with a corresponding deduction.

Correct Answer: A

QUESTION 2

All the following transfers are subject to the generation-skipping transfer tax (GSTT) EXCEPT:

A. A direct cash gift of $50,000 from a grandparent to his grandchild if such grandchild\\'s parents are still alive.

B. A distribution to a grandchild from a sprinkle trust created by a grandparent to benefit both skip and non-skip beneficiaries.

C. A termination of a trust at the death of the nonskip life income beneficiary with the remainder distributed solely to skip persons.

D. A direct cash payment of $28,000 from a grandparent to a private prep school to cover the tuition costs for her grandchild.

Correct Answer: D

QUESTION 3

All the following transfers are subject to the generation-skipping transfer tax (GSTT) EXCEPT:

A. A direct cash payment of $28,000 from a grandparent to a private prep school to cover the tuition costs for her grandchild.

B. A distribution to a grandchild from a sprinkle trust created by a grandparent to benefit both skip and non-skip beneficiaries.

C. A termination of a trust at the death of the nonskip life income beneficiary with the remainder distributed solely to skip persons.

D. A direct cash gift of $50,000 from a grandparent to his grandchild if such grandchild\\'s parents are still alive.

Correct Answer: A

QUESTION 4

In addition to substantial probate assets, a married man with two minor children has a $1,000,000 ordinary life insurance policy payable to his estate. He wants to make certain that if he predeceases his wife the death proceeds will be available to provide income for his wife during her lifetime and to provide for their two children after her death. He would like the policy and/or its death proceeds to be as free of federal gift and estate taxes as possible with respect to both him and his wife. Which of the following courses of action would best accomplish these objectives?

A. Assign the policy to an irrevocable inter vivos trust with five and five powers and designate the trustee to receive the death proceeds

B. Assign the policy to his wife who will establish a revocable inter vivos trust to receive the death proceeds

C. Establish a revocable inter vivos trust and designate the trustee to receive death proceeds

D. Designate his wife as beneficiary and she will establish a testamentary trust in her will to receive the proceeds at her subsequent death

Correct Answer: A

QUESTION 5

Which of the following actions on the part of a trustee is (are) a breach of his duties?

1.

Placing substantial amounts of cash from the sale of securities in a noninterest bearing checking account for a period of years

2.

Investing all trust assets in securities that favor income beneficiaries to the detriment of remainderpersons

A. 1 only

B. Neither 1 nor 2

C. Both 1 and 2

D. 2 only

Correct Answer: C