



HS330^{Q&As}

Fundamentals of Estate Planning test

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QUESTION 1

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. Designate his wife as beneficiary and she will establish a testamentary trust in her will to receive the proceeds at her subsequent death
- B. Assign the policy to an irrevocable inter vivos trust with five and five powers and designate the trustee to receive the death proceeds
- C. Establish a revocable inter vivos trust and designate the trustee to receive death proceeds
- D. Assign the policy to his wife who will establish a revocable inter vivos trust to receive the death proceeds

Correct Answer: B

QUESTION 2

All the following statements concerning a grantor-retained annuity trust (GRAT) or a grantor- retained unitrust (GRUT) are correct EXCEPT:

- A. A grantor receives an annual payout from a GRUT that is based on the value that the trust grows or contracts to each year.
- B. After the initial transfer to a GRAT, the grantor is prohibited from making additional contributions to the trust.
- C. For gift tax purposes a grantor's retained interest in these trusts is valued at zero.
- D. Post-transfer appreciation of property transferred to these trusts is excluded from the grantor's gross estate.

Correct Answer: C

QUESTION 3

All the following assets owned by a decedent pass by operation of law or by contract EXCEPT

- A. death benefits of a pension plan payable to a named beneficiary
- B. jointly owned real estate passing to the surviving joint tenant
- C. life insurance payable to a named beneficiary
- D. probate assets passing under the terms of a valid will

Correct Answer: D

**QUESTION 4**

Mr. Allen died early this year survived by his spouse Mrs. Allen. Among the items of family property are:

1. A \$300,000 life insurance policy on Mr. Allen's life with Mrs. Allen designated as beneficiary. Mrs. Allen has been the owner of the policy ever since it was issued 4 years ago. 2. The family residence with a fair market value of \$400,000. Mr. and Mrs. Allen own the residence jointly with the right of survivorship even though Mr. Allen purchased it with his separate funds.

3. A

\$40,000 bank account. Mr. and Mrs. Allen own the account jointly with the right of survivorship even though Mrs. Allen made all the deposits. What amount of the family property will be included in Mr. Allen's gross estate for federal estate tax purposes?

A.

\$500,000

B.

\$520,000

C.

\$220,000

D.

\$400,000

Correct Answer: C

QUESTION 5

The failure of an individual to have a will can result in which of the following?

1.

The state will determine the disposition of the individual's probate estate.

2.

The decedent's preference for a personal representative, guardian, and other fiduciary roles may be ignored.

A. Neither 1 nor 2

B. 2 only

C. 1 only

D. Both 1 and 2

Correct Answer: D



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