

HS330^{Q&As}

Fundamentals of Estate Planning test

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QUESTION 1

Which of the following terms applies to the blending together of separate and community properties of spouses in community-property states?

- A. Proration
- B. Inception
- C. Commingling
- D. Transmutation

Correct Answer: C

QUESTION 2

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

Correct Answer: B

QUESTION 3

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. 2 only

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

Correct Answer: C

QUESTION 4

Which of the following statements concerning both the joint tenancy with right of survivorship and the tenancy by the entirety forms of real property ownership is correct?

- A. Both forms of ownership are restricted to two equal owners at any one time.
- B. Both forms of ownership provide that an owner can sell his interest in the property at any time without destroying the form of ownership.
- C. Both forms of ownership provide that a deceased owner's interest passes to the surviving owner.
- D. Both forms of ownership are restricted to husband and wife.

Correct Answer: C

QUESTION 5

On January 1, 2004 a father gave his daughter a \$150,000 straight (ordinary) life insurance policy on his life. Premiums are paid annually. The pertinent facts about the policy are:

Date of issue: July 1, 1992

Premium paid on July 1, 2003 \$2,400

Terminal reserve on July 1, 2003 15,000

Terminal reserve on July 1, 2004 18,000

What is the value of the policy for federal gift tax purposes?

- A. \$16,200
- B. \$150,000
- C. \$17,700
- D. \$17,400

Correct Answer: C
