

HS330^{Q&As}

Fundamentals of Estate Planning test

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QUESTION 1

Ignoring the annual per-donee exclusion, which of the following transfers is a gift for federal gift tax purposes?

- A. A creditor cancels the promissory note of a recently unemployed friend as a charitable gesture.
- B. A father promises to buy his daughter a condominium when she finishes college.
- C. A grandmother pays her grandson's \$30,000 tuition at an Ivy League university.
- D. An individual gratuitously performs valuable services for the benefit of a close friend.

Correct Answer: A

QUESTION 2

All the following are grounds for contesting a will EXCEPT:

- A. The widow was bequeathed less than her intestate share.
- B. The instrument is a forgery.
- C. The testator did not have testamentary capacity.
- D. The testator executed a later valid will.

Correct Answer: A

QUESTION 3

Which of the following statements concerning the inclusion in a decedent-employee's gross estate of a lump-sum distribution from a qualified retirement plan to a beneficiary other than the employee's estate is (are) correct?

1.
Lump-sum distributions of payments attributable to the employer's contributions are excluded from the gross estate.
 2.
Lump-sum distributions of payments attributable to the decedent-employee's contributions are excluded from the gross estate.
- A. Both 1 and 2
 - B. 1 only
 - C. 2 only
 - D. Neither 1 nor 2

Correct Answer: D

QUESTION 4

Which of the following statements concerning the generation-skipping transfer tax (GSTT) is correct?

- A. The applicable credit amount may be applied against generation-skipping transfers.
- B. An annual exclusion is available for direct skip gifts to a grandchild.
- C. The GSTT is inapplicable to transfers to nonrelated transferees.
- D. The GSTT is imposed only if no federal estate or gift tax applies to a transfer.

Correct Answer: B

QUESTION 5

All the following statements concerning real property ownership by married couples as joint tenants with right of survivorship are correct EXCEPT:

- A. All benefits of ownership remain available to the surviving spouse without interruption during the administration of the deceased spouse's estate.
- B. In common-law states the total value of the property receives a stepped-up tax basis in the estate of the first spouse to die.
- C. Jointly held property between spouses does not pass through the probate estate of the first spouse to die.
- D. The deceased spouse's interest in the property qualifies for the marital deduction since it passes outright to the surviving spouse.

Correct Answer: B

QUESTION 6

Which of the following areas of consideration present common ethical issues for the estate planner?

- A. Contractuality
- B. Conformity
- C. Conservancy
- D. Cooperation

Correct Answer: D

QUESTION 7

The personal representative of a decedent has the duty to file all the following tax returns EXCEPT

- A. the federal estate tax return
- B. the decedent's final income tax return
- C. the estate's income tax return
- D. the surviving spouse's income tax return for the year of death

Correct Answer: D

QUESTION 8

All the following powers held by the grantor of an irrevocable trust will cause the trust assets to be brought back into the estate of the grantor EXCEPT the power to

- A. designate who shall enjoy the trust income
- B. add principal to the trust
- C. change the trust remainderpersons
- D. terminate the trust

Correct Answer: B

QUESTION 9

An executor elects to value the assets of the estate at the alternative valuation date 6 months after death. Which of the following statements concerning the estate tax value of assets included in this estate is correct?

- A. Property sold before the alternate valuation date is valued at the alternate valuation date.
- B. Property that has increased in value since the date of death may be valued at the date of death if the executor so elects.
- C. Property distributed under the will before the alternate valuation date is valued at the date of death.
- D. An annuity included in the gross estate that diminishes with the mere passage of time is includible at the date of death value.

Correct Answer: D

QUESTION 10

Which of the following statements concerning both estates and complex trusts is correct?

- A. Both are required to file income tax returns.
- B. Both are monitored by the courts.
- C. Both must have more than one beneficiary.

D. Both come into being by operation of law.

Correct Answer: A

QUESTION 11

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?

1.

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

2.

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. Both 1 and 2

B. Neither 1 nor 2

C. 1 only

D. 2 only

Correct Answer: A

QUESTION 12

A man died in February of this year. Last year, when he learned that he had a terminal illness, he immediately made the following gifts and filed the required gift tax return: Fair Market Value Gift of listed stock to a

-qualified charity \$100,000

-

Gift of listed bonds to his wife 200,000

-

Gift of a boat to his son 10,000

-

Gift of a sports car to his daughter 10,000

A.

\$320,000

B.

0

C.

\$280,000

D.

\$ 90,000

Correct Answer: B

QUESTION 13

Which of the following types of partial interests in property may be allowed a charitable deduction for estate tax purposes?

1.

A remainder interest in the donor vacation home

2.

A testamentary gift of a percentage of a decedent entire interest in property held in trust

A. Both 1 and 2

B. Neither 1 nor 2

C. 1 only

D. 2 only

Correct Answer: C

QUESTION 14

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 his wife who will establish a revocable inter vivos trust to receive the death proceeds

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

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

Correct Answer: B

QUESTION 15

Which of the following types of real property ownership will be deemed to be a tenancy in common?

- A. Two brothers own equal amounts of all the common stock in a corporation, the only asset of which is real property.
- B. Two brothers are equal partners in a general partnership that owns a piece of real property used in the partnership business.
- C. Two brothers own equal fractional interests in a piece of real property and at the death of one of the brothers the survivor will own the entire piece of property.
- D. Two brothers own equal undivided interests in a piece of real property, with each brother being able to divest himself of his interest by sale, gift, or will.

Correct Answer: D

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