Estate Planning IQ Quiz

When it comes to estate planning, we've come a long way from the days when the pioneers scrawled hand-written wills on the backs of paper bags. Today, the thicket of estate planning and tax law demands that you take the right steps to preserve your hard-earned money and ensure that all of your estate goes to your intended beneficiaries.

Take a moment to complete the Estate Planning I.Q. Quiz and find out your E.P.I.Q. You'll be able to compare your answers to others who also took the quiz. Good luck!

1) "Probate" is:

- ☐ a) a legal process that saves estate taxes.
- ☐ b) a public legal process used to transfer assets that were owned by a deceased person.
- ☐ c) money I can get back from a dealer when buying a new car.
- ☐ d) a document that estate planning attorneys file to pay federal estate taxes.

2) If I have a will, my estate will avoid probate.

- ☐ a) True
- ☐ b) False

3) A Living Trust is:

- ☐ a) an estate plan that, like a will, is subject to probate.
- ☐ b) an estate plan, that unlike a will, may avoid probate.
- ☐ c) a pledge one makes when marrying.
- ☐ d) a public company that sells life insurance.

4) Depending on the year of death, the highest marginal estate tax rate could be as high as:

- ☐ a) 25 percent
- ☐ b) 35 percent
- ☐ c) 45 percent
- ☐ d) 55 percent

5) In 2008, the federal government has given every person in the United States an exemption of _________ for estate tax purposes?

- ☐ a) $1 million
- ☐ b) $1.5 million
- ☐ c) $2 million
- ☐ d) $3.5 million

6) In computing whether your estate exceeds the estate tax exemption limit, the government includes the following:

- ☐ a) Your house, car, stocks and bonds.
- ☐ b) Everything you own, including the death benefit of your life insurance policies.
- ☐ c) Everything you own, excluding the death benefit of your life insurance policies.
- ☐ d) Everything you own, excluding life insurance policies and collectibles such as heirlooms and baseball card collections.

7) The Federal Estate Tax Unlimited Marital Deduction does which of the following?

- ☐ a) Eliminates federal estate tax if you are still married when you die.
- ☐ b) Postpones federal estate tax until the second spouse dies; i.e., no federal estate tax is levied when the first spouse dies and leaves the estate to the surviving spouse.
- ☐ c) Allows you to deduct the costs of the marriage from your estate; that's why it's called a marital deduction.
- ☐ d) Eliminates federal estate tax, regardless of the amount of accumulated assets; that's why it's called the unlimited marital deduction.

8) Financial planning, including long-term health care, is increasingly important because there are more seniors than ever before and they are living longer, placing a strain on long-term health care resources. According to the U.S. Census Bureau, in 2000, America's population over the age of 65 was approximately 32 million. They project that in the year 2050, the population of those 65 and over will increase to approximately ____ million.

- ☐ a) 53 million
- ☐ b) 64 million
- ☐ c) 75 million
- ☐ d) 82 million

9) What is a Roth IRA?

- ☐ a) An individual retirement account that allows you to invest in tax-free municipal bonds.
- ☐ b) An individual retirement account in which earnings are tax-deferred at the time of withdrawal.
- ☐ c) An individual retirement account in which earnings are tax free at the time of withdrawal for qualified distributions.
- ☐ d) A baseball term meaning "individual runs average" and named after slow-footed outfielder Philip Roth.

Quiz Answers

1) "Probate" is:

B. Estimates of the cost of probate range from 2 to 3 percent of your gross estate , excluding executor fees. Remember, every dollar that goes to pay probate costs is a dollar that could benefit your family.

2) If I have a Will created, my estate will avoid probate.

B. False. In fact, a Will guarantees your estate will go through probate, which is Latin for "prove the Will."

3) A Living Trust is:

B. A Living Trust may avoid probate. With a living trust, your assets will go directly to your beneficiaries after your death. There may be no attorney's fees or court costs. There should be no delay in distributing your assets, and all of your estate planning goals will be completely private.

4) Depending on the year of death, the highest marginal estate tax rate could be as high as:

D. In 2011, the highest marginal estate tax rate is scheduled to return to 55%. From 2007-2009, the estate tax rate is 45%. The estate tax on a $3 million estate in 2007 is $450,000.

5) In 2007 and 2008, the federal government has given every person in the United States an exemption of _________ for estate tax purposes?

C. The applicable exclusion amount for 2007-2008 is $2 million. In 2009, it is scheduled to increase to $3.5 million. In 2011, it reverts back to $1 million exemption. But even if your estate is less than these amounts, you need an estate plan to ensure your estate passes as you desire.

6) In computing whether your estate exceeds the estate tax exemption limit, the government includes the following:

B. Your estate includes everything you own at your death. It includes your car, your stocks, your house, and everything else. It also includes some things you may not technically own, such as the death benefit of a life insurance policy on your life. Life insurance is included if payable to your estate or if you had control of the policy during your life, such as the ability to change the beneficiary designation.

7) The Federal Estate Tax Unlimited Marital Deduction does which of the following?

B. The Unlimited Marital Deduction only postpones the estate tax. There will be a tax on the estate of the surviving spouse when it passes to the children or other beneficiaries. Since in all probability the estate will continue to appreciate in value, taxes may be paid at a higher rate.

8) Financial planning, including long-term health care, is increasingly important because there are more seniors than ever before and they are living longer, placing a strain on long-term health care resources. According to the U.S. Census Bureau, in 2000, America's population over the age of 65 was approximately 32 million. They project that in the year 2050, the population of those 65 and over will increase to approximately ____ million.

D. 82 million. Currently, one in eight Americans is age 65 or older. The number of persons aged 85 and older has more than doubled since 1965 and has grown by 40 percent since 1980, according to the U.S. Administration on Aging.

9) What is a Roth IRA?

C. Earnings on the Roth IRA are tax-free at the time of withdrawal for qualified distributions, unlike those of the Traditional IRA that are only tax-deferred until withdrawal.