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DISCUSSION GUIDE
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IRS Addresses the "Low Interest" Charitable Remainder Annuity Trust Problem

1. All of the following statements regarding a charitable remainder annuity trust (CRAT) are correct EXCEPT:

A. A CRAT provides for the distribution of a fixed amount, at least annually, to one or more noncharitable income beneficiaries.

B. The CRAT annuity payment must be for a certain sum of not less than 5 percent and not more than 50 percent of the initial fair market value of all property placed in the trust.

C. The annuity payment period can be for a life or lives but cannot exceed 10 years.

D. Following the payments to the noncharitable beneficiaries, the entire remainder of a CRAT must be paid over to a charity.

2. All of the following statements about the 5 percent probability of exhaustion test are correct EXCEPT:

A. The test is one of two tests used with CRATs to ensure that there is a reasonable likelihood that the charity will get a meaningful remainder.

B. The probability of exhaustion test can be used as an alternative to the 10 percent test if the assets of the CRAT are under a threshold amount.

C. The test was established by the IRS in Revenue Ruling 77-374.

D. The test utilizes the IRC Sec. 7520 rate for the month of the contribution to the CRAT as the assumed rate of return on the assets in the CRAT.

3. Which statement(s) about charitable deductions for a CRAT is (are) correct?

I. The charitable remainder interest of the CRAT will not qualify for an income, gift, or estate tax charitable deduction if the probability that the life beneficiary will survive exhaustion of the CRAT assets is greater than 5 percent.

II. The low interest rates in recent years have increased the likelihood of a CRAT qualifying for an estate tax charitable deduction.

A. I only | C. Both I and II
B. II only | D. Neither I nor II

4. According to an example provided by the IRS, if the IRC Sec. 7520 rate is 1.8 percent, how old must a sole life beneficiary of a CRAT (that provides for an annual end-of-the year payment of the minimum allowable annuity) be at the time the trust is created for the trust to satisfy the probability of exhaustion test?

A. 72 years old

B. 62 years old

C. 52 years old

D. 44 years old

5. All of the following statements about Revenue Procedure (Rev. Proc.) 2016-42 are correct EXCEPT:

A. In Rec. Proc. 2016-42, the IRS created a new qualified contingency to solve the problem of the early exhaustion of a CRAT.

B. Under Rev. Proc. 2016-42, a CRAT can never be terminated if the income beneficiary is still alive.

C. Rev. Proc. 2016-42 requires that the CRAT be amended to include a new provision that defines the year-by-year calculation needed to test when and if an early termination occurs.

D. The theory behind the provisions of Rev. Proc. 2016-42 is that as the trust remainder approaches 10 percent of the initial contribution, the trust will be terminated.

Searching for the Millions Millennials Will Need

6. Which statement about the definitions of the various generation cohorts is correct?

A. Baby boomers are defined as those born between 1945 and 1965.

B. According to U.S. Census Bureau data, millennials are defined by a 1982 to 2000 birth cohort.

C. Millennials are also described as Generation X.

D. Generation Y is defined as those born between 1999 and 2016.

7. All of the following statements about the millennial generation are correct EXCEPT:

A. It is estimated that millennials will need a retirement nest egg of $1.6 million to $2 million.

B. Millennials are the most numerous and most diverse adult cohort in the United States.

C. According to some demographic sources, millennials outnumbered baby boomers, 75.4 million to 74.9 million in 2015.

D. Millennials currently represent over one-third of the U.S. population.

8. What were the median annual earnings for 18- to 34-year-old workers in 2013?

A. At $38,000, the earnings were slightly higher than the annual earnings for the same age group in 1980.

B. At $34,000, the earnings were slightly lower than the annual earnings for the same age group in 1980.

C. $36,000

D. $28,000

9. Which statement(s) about strategies related to retirement planning for millennials is (are) correct?

I. Financial industry resources generally agree that the one advantage millennials have is time.

II. Financial advisors can use their baby boomer clients as a direct pathway to the millennial children of those clients by providing planning seminars for the whole family.

A. I only
B. II only
C. Both I and II
D. Neither I nor II

Enabling ABLE: Five Potential Positives for Implementing the ABLE Act

10. All of the following are qualified disability expenses under IRC Sec. 529A(e)(5) EXCEPT:

A. Transportation costs

B. Housing expenses

C. Wellness-related expenses

D. Clothing costs

11. All of the following statements regarding ABLE accounts are correct EXCEPT:

A. In many states, ABLE accounts are exempt from creditors.

B. ABLE account distributions are excluded from the account beneficiary's income to the extent of his or her qualified disability expenses.

C. Traditional 529 accounts can be rolled into an ABLE account if the beneficiary is diagnosed with a disability before age 30.

D. ABLE accounts were established by the enactment in December 2014 of the Stephen Beck, Jr., Achieving a Better Life Experience Act.

12. What is the total threshold amount that cannot be exceeded in order for an ABLE account beneficiary to continue to have Medicaid cover his/ her health care costs?

A. $102,000

B. $22,000

C. $200,000

D. $68,000

13. Which statement(s) about the ABLE Act is (are) correct?

I. Under the ABLE Act, multiple individuals may make contributions to an ABLE account as long as the individual has a familial relationship with the account beneficiary.

II. As a general rule, an ABLE account's designated beneficiary can be changed without incurring gift or generation-skipping taxes.

A. I only
B. II only
C. Both I and II
D. Neither I nor II

14. According to a report published on whitehouse.gov, how many Americans are living with disabilities?

A. 20 million

B. 56 million

C. 285,000

D. 1 million

15. All of the following statements about the limitations on inheritances of ABLE accounts are correct EXCEPT:

A. ABLE accounts can be transferred to a sibling or stepsibling of the original account beneficiary if the transferee has a qualified disability.

B. The potential for ABLE account transfers to other family members may increase the demand for long-term professional planning with dedicated special-needs experts.

C. ABLE accounts can be transferred to children or stepchildren of the original account beneficiary if the transferee has a qualified disability.

D. If ABLE funds are transferred to a designated beneficiary who does not meet statutory requirements, the portion of the then-fair market value of the transferred funds will likely constitute a gift by the original beneficiary to the successor beneficiary.

16. All of the following statements about ABLE accounts and special needs trusts (SNTs) are correct EXCEPT:

A. ABLE accounts are likely to be easier than SNTs to navigate without extended professional assistance.

B. ABLE account users will potentially have lower fees than those required by traditional SNTs.

C. ABLE accounts and pooled SNTs can be funded by an eligible individual with his or her own assets without requiring judicial involvement.

D. According to Monica Franklin, except in very special circumstances, ABLE accounts are an effective replacement for traditional SNTs.

Disabling ABLE: Five Possible Pitfalls When Implementing the ABLE Act

17. What is the maximum contribution per year in after-tax dollars that can be contributed to an ABLE account?

A. $14,000

B. $8,000

C. $6,000

D. The amount depends on the age of the disabled beneficiary.

18. Which statement(s) about the rules under IRC Sec. 529A regarding ABLE accounts is (are) correct?

I. Each designated ABLE Act beneficiary is limited to one account.

II. To be an ABLE account beneficiary, the individual must acquire a severe disability before age 26.

A. I only C. Both I and II
B. II only D. Neither I nor II

19. All of the following statements about the ABLE Act's cutoff threshold for the qualifying age of disability are correct EXCEPT:

A. The act's age cutoff for designated beneficiaries precludes the majority of Americans with disabilities from using ABLE accounts.

B. Only children and young adults are eligible for ABLE accounts.

C. The act's age cutoff for designated beneficiaries can be appealed if a disability occurs within 6 months of the cutoff age and certain conditions are met.

D. The act's age cutoff is codified in IRC Sec. 529A(e)(1)(A).

20. According to the Social Security Administration, what percent of the private-sector workforce currently has no private long-term disability insurance?

A. 72 percent

B. 69 percent

C. 50 percent

D. 36 percent

21. All of the following statements about do-it-yourself (DIY) management for ABLE accounts are correct EXCEPT:

A. A key pitfall of DIY management is that account owners could inadvertently create investment results that exceed account limitations and trigger penalties and the loss or suspension of public benefits.

B. The federal government has not yet offered guidance delineating differences among state ABLE plans to help DIY managers to choose the best fit for a particular beneficiary.

C. The complex relationship of Social Security income, Medicaid, and ABLE benefits and the applicable tax rules may challenge the abilities of the average DIY ABLE manager.

D. Many state ABLE programs have established fines ranging up to $500,000 for DIY ABLE account managers who fail to meet certain investment thresholds.

22. Which statement(s) about ABLE accounts and eligibility under federal means-tested

programs is (are) correct?

I. As a general rule, a designated beneficiary's ABLE account is disregarded in determining eligibility under Medicaid, but will be taken into consideration for determining Supplemental Nutrition Program (SNAP) and Temporary Assistance for Needy Families (TANF) benefits.

II. An individual's Supplemental Security Income eligibility cannot be terminated because of excess resources in their ABLE account.

A. I only	C. Both I and II
B. II only	D. Neither I nor II

23. All of the following statements regarding tax rules related to ABLE accounts are correct EXCEPT:

A. Contributions to ABLE accounts are treated as future interest in property for purposes of gift and generation-skipping-transfer taxes.

B. Excess ABLE account distributions can be subject to a 10 percent penalty tax.

C. Excess contributions to ABLE accounts are subject to a 6 percent excise tax.

D. ABLE account distributions that exceed a beneficiary's qualified disability expenses must be included in the distributee's income.

What to Say and How to Say It: Financial Planning at the End of Life

24. All of the following statements about working with clients with a terminal illness are correct EXCEPT:

A. For clients with dependent family members, the most important first step is to contact a life insurance professional in order to place the best life insurance coverage possible under the circumstances.

B. Four main topics clients will want to cover with their financial advisor are physical health, financial health, cognitive health, and emotional health.

C. It is important for the financial advisor to have a willingness to explore the client's agenda first.

D. Financial professionals are encouraged to bear in mind general communication principles, such as directness and utilizing open-ended questions.

25. All of the following statements about cash flow issues for clients with terminal illnesses are correct EXCEPT?

A. A review of life insurance policies for beneficiary designations and riders by the advisor can help the client find new income sources.

B. Expenses from new living arrangements and medical expenses will typically outpace savings from reduced or eliminated work-related expenses.

C. Experts in end-of-life planning strategies recommend consulting a life settlement company as soon as possible after the client is diagnosed to cash out early on any existing life insurance.

D. Social Security's Compassionate Allowance List can help advisors identify conditions that will allow clients to get a fast track to Social Security disability approval—a potential additional source of cash flow for the client.

26. Which statement(s) about estate planning for the terminally ill client is (are) correct?

I. It is important to test the client's durable power of attorney with financial institutions and title companies to ensure it will be honored.

II. In most states, a living will won't be recognized by the health care provider unless it has been preapproved via judicial review.

A. I only	C. Both I and II
B. II only	D. Neither I nor II

27. All of the following statements about digital assets are correct EXCEPT:

A. The four types of digital assets an advisor needs to consider when working with a terminally ill client are personal, financial, business, and social.

B. In 2016, the Revised Uniform Fiduciary Access to Digital Assets Act was passed in 32 states to streamline the management of digital assets for deceased clients.

C. If the client has opted for paperless statements for his or her financial accounts, the advisor may be unaware of certain accounts and may have difficulty accessing certain accounts.

D. For each type of digital assets, there needs to be a plan to empower a digital executor to manage the assets and accounts.

28. All of the following statements regarding cognitive and emotional health considerations for planners working with terminally ill clients are correct EXCEPT:

A. Cognitive problems increase the potential for financial mistakes and open the client to financial abuse and fraud.

B. To address the ethical and legal challenges of coping with a client's cognitive decline, many financial advisors have adopted a form or authorization document asking clients to let them know how to handle situations where they believe the client has impaired judgment.

C. It is recommended that the client identify trusted friends, neighbors, and family in a notebook or cloud vault to protect the client at a time of weakness, vulnerability, and possible cognitive impairment.

D. It is recommended that financial advisors step back when dealing with the client's end-of-life emotional issues, particularly topics such as fear of dying or maintaining dignity when they are no longer able to care for themselves.

Fiduciary Responsibility, 1974 to 2017

29. All of the following statements about the concept of fiduciary in the context of the Employee Retirement Income Security Act of 1974 (ERISA) are correct EXCEPT:

A. Practitioners avoided being considered a fiduciary under ERISA because fiduciaries could not be compensated.

B. Many registered representative contracts prohibited the registered representative from acting as an ERISA fiduciary.

C. The standard of care owed to the recipient of advice under the Investment Company Act of 1940 and the Securities and Exchange Act of 1933 is the same.

D. Acting as a fiduciary carries a much higher standard of care and a greater personal liability for the advisor.

30. In what year did the U.S. Supreme Court confirm that an individual may bring a civil action to enforce liability under ERISA?

A. 1976

B. 1978

C. 2006

D. 2008

31. Which statement(s) about an advisor assuming fiduciary status is (are) correct?

I. An advisor becomes a fiduciary if the advisor exercises any discretionary control over the management of a plan, or over the management or disposition of plan assets.

II. An advisor becomes a fiduciary if the advisor renders investment advice for a fee or other compensation, direct or indirect, over the disposition of plan assets.

A. I only C. Both I and II

B. II only D. Neither I nor II

32. All of the following statements about government regulations and retirement plans are correct EXCEPT:

A. The Employee Benefits Security Administration is responsible for administering and enforcing the fiduciary, report, and disclosure provisions of ERISA.

B. An IRA has not generally been covered by ERISA.

C. The IRS provides oversight for individual IRAs.

D. The DOL provides oversight for voluntary-payroll-deduction IRAs.

33. All of the following statements about defined-benefit plans versus defined-contribution plans are correct EXCEPT:

A. In 1975, over 80 percent of workers with pensions had defined-benefit plans.

B. A big issue for employers with defined-benefit plans was the unpredictability of the amount of a worker's pension prior to his or her retirement.

C. With defined-benefit plans, employers often found themselves with underfunded pensions.

D. By 2006, over 75 percent of workers with pensions had defined-contribution plans.

34. All of the following statements regarding the DOL fiduciary rule are correct EXCEPT:

A. Individuals with certain professional degrees or licenses are exempt from the final DOL rule.

B. The five-part test for determining fiduciary status that existed under earlier DOL regulations is no longer applicable.

C. The DOL rule enacted in 2016 applies to IRAs, Roth IRAs, health savings accounts, and Coverdell education savings accounts.

D. Types of advice listed as subject to the DOL rule include recommendations with respect to rollovers, distributions, or transfers from a plan or IRA.

35. All of the following statements about working in and establishing best practices under the new DOL rule are correct EXCEPT:

A. Advisors should list a breakdown of clients by household, business, type of plan, and to the extent possible, include total revenue derived from each client over the last 2 to 3 years.

B. Advisors working in the ERISA environment need to clearly define roles and responsibilities of staff in the context of a fiduciary practice.

C. Best practices dictate that advisors who do not derive at least $25,000 annually from working with a given client, should discontinue service to that client.

D. Advisors should review their errors and omissions policy to ensure that coverage is adequate for working as an ERISA fiduciary.