Opportunistic Estate Planning
Lemonade Amid Market Volatility

1. All of the following statements regarding estate planning techniques that could be applicable in a volatile market are correct EXCEPT:
   A. Grantor-retained annuity trusts (GRATs) involve transferring wealth into a trust for a short term, while retaining an annuity repayment of most or all of the original principal plus an interest rate.
   B. The Section 7520 rate for May 2020 was predicted to follow the yearly average of 6 percent.
   C. Based on low interest rates as of May 2020, a good strategy for financial service professionals to recommend to clients is to refinance an existing loan to reduce the interest rate.
   D. Financial advisors should recommend that clients make annual exclusion gifts now while rates are low instead of waiting until the end of the year.

2. Which statements(s) regarding the full use of gift and generation-skipping tax exemptions is (are) correct?
   I. Indexed for inflation, in 2020, current tax law allows exemption amounts up to $11,580 million for each taxpayer.
   II. The law that doubled the exemption to $10 million will sunset on January 1, 2026.
   A. I only   C. Both I and II
   B. II only   D. Neither I nor II

Getting beyond the Financial Markets to Personal Meaning

3. All of the following statements about Leider’s studies regarding the components identified as providing meaning and purpose in the lives of individuals are correct EXCEPT:
   A. Achieving and maintaining one’s Good Life requires a continual revisiting and realigning of priorities in the areas of money, medicine, meaning, and place.
   B. Maintaining the Good Life includes the capacity to sustain oneself through significant changes and transitions caused by positive or negative trigger events.
   C. Central to Leider’s work is the finding that a sense of purpose is integral to leading the Good Life.
   D. Leider’s second study, released in 2010, expanded the age cohorts to include 45-74-year-olds.

4. Which statement(s) regarding Leider’s 2009 study is (are) correct?
   I. The 45-74-year-old participants revealed that being healthy is the most important component in leading the Good Life.
   II. Qualities that best differentiate between living the Good Life or not are primarily determined by an individual’s behavior or sense of self.
   A. I only   C. Both I and II
   B. II only   D. Neither I nor II

5. According to Leider’s 2010 Meaning Really Matters study, all of the following statements are correct EXCEPT:
   A. Inclusion of the 25- to 45-year-old cohorts increased the overall percentage of those with focus and living the Good Life.
   B. Older people (aged 45-74) focus more on meaning-laden activities like spending more time helping family and others than do younger people.
   C. People with multiple recent negative triggers seem to have the most difficulty maintaining a clear vision and focus.
   D. The emergence of a new group that surfaced in the 2010 study, the Salary Driven segment, seems to be related to the impact of the recent recession.
Life Insurance Suitability

6. All of the following statements about the Gottlieb and Smetters research on lapse-based insurance are correct EXCEPT:
   A. Almost 45 percent of permanent insurance policyholders lapse within 3 years of first purchasing the policies.
   B. No matter at what age individuals purchase term policies, 85 percent of these policies fail to pay a death claim.
   C. Nearly 88 percent of universal life policies ultimately do not terminate with a death benefit claim.
   D. Although policy benefits are typically the most examined aspect of new life insurance purchase, it is the background shocks that often undermine the intentions for long-term coverage.

7. According to information from LIMRA International, which statement(s) about the lapse in life insurance policies is (are) correct?
   I. About 4.2 percent of all life insurance policies lapse each year, including about 3.7 percent of term policies.
   II. Insurers lose money on policyholders who lapse and profit from those who do not lapse.
   A. I only  
   B. II only  
   C. Both I and II  
   D. Neither I nor II

Recognizing Cash Value

8. True or False. In the collective United States, it is legally impermissible for life insurance to be advertised as an “investment” or “savings” plan.
   A. True  
   B. False

9. Which statement(s) about the opportunity for life insurance to be offered as an investment is (are) correct?
   I. With the cutback in stretch IRA opportunities resulting from the SECURE Act, life insurance has gained a new prominence with retirement and estate planners.
   II. Chronic illness, critical illness, long-term care, disability, and longevity are within the scope of a new breed of life insurance policy and accompanying riders, addressing a multitude of financial needs beyond death.
   A. I only  
   B. II only  
   C. Both I and II  
   D. Neither I nor II

10. All of the following statements about life insurance as an investment are correct EXCEPT:
    A. In the corporate world, life insurance policies are a common funding technique used to finance large deferred-compensation benefit packages.
    B. Because life insurance risk-pools assets as well as mortality, it has become easier to compare this product to other possible investments.
    C. Cash value life insurance offers significant tax advantages.
    D. Insurance companies have a proven track record in profitably managing fixed-asset investments.

11. Which statement(s) about the gulf between regulations governing cash value life insurance as an investment and reality is (are) correct?
    I. The National Association of Life Insurance Commissioner’s model law on Advertisements of Life Insurance and Annuities applies only to traditional advertisements, and excludes other means of promotion, such as sales presentations, websites, or illustrations.
    II. Regulators have created a legal framework that identifies where life insurance can be presented as an investment, and insurers and their representatives have begun operating within this framework.
    A. I only  
    B. II only  
    C. Both I and II  
    D. Neither I nor II
Life and Financial Planning in the Time of COVID-19

12. With passage of the Coronavirus Aid, Relief, and Economic Security (CARES) Act of 2020, how much money did the U.S. government commit to transferring to individuals?
A. $377 billion C. $560 billion
B. $500 billion D. $26 billion

13. All of the following statements about individual relief and assistance under the CARES Act are correct EXCEPT:
A. The deadline for filing and paying personal income taxes has been delayed until July 15, 2020.
B. Cash stimulus payments received are income taxable.
C. Cash stimulus payments received by individuals are technically an advance tax credit meant to offset taxes on an individual’s 2020 return.
D. For 2020, it is possible that client’s taxes will be under-withheld if an individual’s taxable income is going to be higher than the year used to determine the cash payment.

14. All of the following statements about expanded unemployment benefits are correct EXCEPT:
A. Under the CARES Act, the federal government is giving an additional $900 per week of unemployment benefits on top of whatever state benefits are given.
B. Extended unemployment benefits will continue through July 31, 2020.
C. Temporary workers who are not eligible for regular unemployment may qualify for the Pandemic Unemployment Assistance Program (PUA).
D. PUA provides up to 39 weeks of benefits to covered individuals who are able and available to work, except that they became unemployed or partially employed due to COVID-19-related reasons.

15. Which statement(s) about changes related to CARES Act provisions is (are) correct?
I. If any part of a required minimum distribution (RMD) has been made in 2020 that would have qualified for a waiver, and it is still within a 90-day time period from the date of the RMD, that payment can be rolled back into a qualified plan or IRA to avoid taxation in 2020.
II. Payments and interest accrual for federal student loans owned by the U.S. Department of Education are automatically suspended through September 30, 2020.
A. I only C. Both I and II
B. II only D. Neither I nor II

16. Which statement(s) about the Paycheck Protection Program (PPP) is (are) correct?
I. PPP money is permitted to be used for insurance premiums, retirement plan contributions, rent, mortgage interest, and utilities.
II. Under PPP, companies with 500 employees or fewer that maintain their payroll during coronavirus could receive up to 8 weeks of cash-flow assistance through a forgivable interest-free note.
A. I only C. Both I and II
B. II only D. Neither I nor II

17. All of the following statements about asset repositioning are correct EXCEPT:
A. Selective withdrawal of life insurance cash values at times of market drops can cushion a client against inevitable downturns.
B. Life insurance policy loans and withdrawals reduce the policy’s cash value and death benefit, and may cause certain policy benefits or riders to become unavailable.
C. Older baby boomers who are looking to transfer wealth and are concerned about another market drop should be reminded that life insurance can help stabilize wealth transfer.
D. Accessing or depleting IRA or qualified plans in times of crises could shield clients from paying federal income tax.
Required Minimum Distribution Rules after the SECURE Act

18. Which statement(s) about the requirements for individuals to take required minimum distributions (RMDs) is (are) correct?
   I. According to the SECURE Act, an individual has until April 1 of the following year after reaching age 72, and for each year thereafter, to take their required RMD.
   II. The Act changed the age RMDs must begin to be taken from 70½ to 72.
   A. I only  
   B. II only  
   C. Both I and II  
   D. Neither I nor II

19. All of the following statements about after-death distributions are correct EXCEPT:
   A. Of the categories of beneficiaries identified by the SECURE Act, only eligible designated beneficiaries must comply with the new 10-year RMD rule.
   B. The identity of beneficiaries of a decedent’s IRA or defined-contribution plan must be determined by September 30 of the year after the year of death.
   C. An eligible designated beneficiary, such as a surviving spouse, is able to stretch distributions.
   D. If one or more beneficiaries is an estate, charity, or nonqualifying trust as of the determination date, the RMD will apply as if there is no designated beneficiary.

20. Which statement(s) about common plan payout options is (are) correct?
   I. Under the 5-year payout option, a minimum distribution applies for each year, and the entire account must be distributed by December 31 of the 5th year.
   II. A lump-sum payout is one of the most favorable payout options from an income tax standpoint.
   A. I only  
   B. II only  
   C. Both I and II  
   D. Neither I nor II

21. All of the following statements about rollover elections of beneficiaries are correct EXCEPT:
   A. If the sole beneficiary is a surviving spouse of the plan owner, they can do a spousal rollover.
   B. Before a spousal rollover can be made, any RMD as of the year of rollover must first be made.
   C. The surviving spouse/beneficiary may withdraw assets and transfer them to a new or existing IRA titled in the name of the surviving spouse as long as the transaction is completed with 120 days of the withdrawal.
   D. A nonspouse beneficiary may not roll over an IRA or plan funds of a decedent into an IRA in their own name.

22. Which statement(s) about anticipated changes to the tables used to calculate RMDs is (are) correct?
   I. The proposed tables reflect longer life expectancies than the current tables and would provide smaller annual RMDs.
   II. If the proposed tables go into effect as planned, they would apply for distribution calendar years beginning on or after January 1, 2021.
   A. I only  
   B. II only  
   C. Both I and II  
   D. Neither I nor II
Final Regulations Could Expand the Use of Health Reimbursement Arrangements

23. All of the following statements about health reimbursement arrangements (HRAs) are correct EXCEPT:
   A. An HRA is limited to a maximum dollar amount of reimbursements established by an employer over a 12-month coverage period.
   B. Any unused portion of the maximum dollar amount provided by the HRA at the end of the coverage period may not be carried forward to increase the maximum reimbursement amount.
   C. Under an HRA, the coverage and reimbursement of medical care expenses of an employee and the employee’s spouse and dependents are generally excludable from the employee's gross income.
   D. Similar to group health plans, HRAs are subject to many of the provisions of the Affordable Care Act.

24. Which statement(s) about the integration of HRAs with individual medical insurance coverage (IMC-HRA) is (are) correct?
   I. For employers to participate in an IMC-HRA, all of its employees and eligible dependents must be covered by an individual medical insurance policy or Medicare.
   II. An employer cannot offer both an IMC-HRA and a traditional group health plan to the same class of employees.
   A. I only
   B. II only
   C. Both I and II
   D. Neither I nor II

25. True or False. In addressing the impact of the final regulations on the individual medical insurance marketplace, the Departments of Labor, Treasury, and Health and Human Services estimate that after 5 years, 800,000 firms will offer IMC-HRA coverage.
   A. True
   B. False

26. All of the following statements related to marketing of IMC-HRAs are correct EXCEPT:
   A. The Final Regulations may adversely affect individuals who presently qualify for, and receive, a premium tax credit (PTC) while working for an employer who does not offer medical coverage.
   B. Part-time and seasonal employees can be separately covered under an IMC-HRA plan.
   C. An IMC-HRA may continue to reimburse former or retired employees for medical care expenses after termination of employment or retirement, even if the employee does not elect COBRA.
   D. An employer can select or endorse a particular issuer or coverage to assist employees who are purchasing individual medical insurance policies.

27. Which statement(s) about the results of a survey conducted by a national IMC-HRA vendor of employers who have made IMC- HRAs available to employees is (are) correct?
   I. Small employers with only a few workers in a certain class offer a lower allowance than do large employers.
   II. Of those surveyed, 48 percent of employers elected to adopt premium-only IMC- HRAs and 52 percent opted to cover both premiums and out-of-pocket expenses.
   A. I only
   B. II only
   C. Both I and II
   D. Neither I nor II
Publicly Available Retirement Software: Is It Effective and What Elements Are Needed?

28. All of the following statements related to factors to be considered when planning for retirement are correct EXCEPT:
   A. According to the MetLife Retirement Income IQ Survey, about 60 percent of respondents underestimate the probability of a person living to 85, although a majority of respondents identify longevity risk as the greatest retirement risk facing retirees.
   B. Brown and Mitchell advise that annuities, the only products an individual can purchase in exchange for guaranteed lifetime income, are underutilized by the majority of retirees in the United States.
   C. According to Skinner, out-of-pocket health care expenses are a significant source of unknown risk in retirement planning.
   D. Social Security, public employee retirement systems, and private pension plans generally make adjustments for inflation.

29. Which statement(s) about retirement planning tools is (are) correct?
   I. Most online retirement planning calculators do not factor in calculations for health expenditures.
   II. Default assumptions for key retirement factors, such as for life expectancy, rates of return, inflation, Social Security benefits, and health expenditures vary significantly among software programs.
   A. I only  C. Both I and II
   B. II only  D. Neither I nor II

30. Which statement(s) related to the life-cycle model is (are) correct?
   I. Following the life-cycle model, it is assumed that there is no source of retirement income other than the amount saved from the earning stage.
   II. Among the key variables that need to be considered in the life-cycle framework are current age, target retirement age, and age at which the individual began to accumulate retirement savings.
   A. I only  C. Both I and II
   B. II only  D. Neither I nor II