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JOURNAL DISCUSSION GUIDE

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Ready or Not, Electronic Wills Have Arrived!

1. All of the following statements about electronic wills are correct **EXCEPT**:
   A. The Uniform Law Commission approved the Uniform Electronic Wills Act at its July 2019 meeting.
   B. Florida's electronic will law becomes effective in January 2020.
   C. Electronic wills have been approved in Illinois, Nevada, Pennsylvania, and Wyoming.
   D. The Uniform Law Commission is in the final stages of tweaking the Uniform Electronic Wills Act for possible publication in late 2019.

2. All of the following statements regarding requirements for executing an electronic will are correct **EXCEPT**:
   A. Electronic wills impose the same basic requirements as traditional wills, i.e., a writing, a signing, and witnessing of the will.
   B. Unlike most traditional wills which require two witnesses, states that have enacted statutes allowing for electronic wills require a minimum of three witnesses.
   C. Safeguards have been established to thwart off-camera wrongdoing when witnesses to the execution of a will are appearing via video in lieu of physical presence.
   D. Under Florida's electronic will statute, the testator is required to present a valid picture identification that can be scanned and authenticated.

3. Which statement(s) about modernizing will execution is (are) correct?
   I. Providing easier and potentially less expensive access to will execution is a primary objective for enactment of electronic will statutes.
   II. Many estate planning attorneys have expressed concern about the fact that electronic will laws eliminate current law regarding will execution and notary standards.
   A. I only
   B. II only
   C. Both I and II
   D. Neither I nor II

Millennials—the Newest "Club Sandwich Generation"—Inherit the "Sandwich Generation"

4. All of the following statements about generational descriptors are correct **EXCEPT**:
   A. Individuals born between 1901 and 1927 have been designated as the Greatest Generation.
   B. Gen Xers were born between 1965 and 1980.
   C. The term "Silent Generation" is used to describe individuals born between 1928 and 1945.
   D. Millennials are those individuals born between 1981 and 2001.

5. According to a 2011 study on the financial impact on working caregivers, what is the estimated amount of lost wages, pensions, and Social Security benefits for working female caregivers?
   A. $122,000
   B. $268,000 in 2019 dollars
   C. $284,000
   D. $383,688 in 2019 dollars

6. According to a recent report by the Government Accountability Office (GAO), all the following statements about caregiving in the United States and its financial impact are correct **EXCEPT:**
   A. The GAO report calculated that Gen Xers are approximately 300 percent more likely to be in a parental caregiving role than 15-44 year olds.
   B. Caregivers had an estimated average of approximately $7,000 in caregiving costs in 2016.
   C. According to the GAO report, the out-of-pocket expense for caregivers represents 14 percent of income for white families; 24 percent for black family caregivers; and 34 percent for Hispanic caregivers.
   D. Caregivers may have lower Social Security benefits because if they leave the workforce, it affects their overall Social Security contributions and calculation over a work span.

7. True or False. Dorothy Miller is credited with defining the term "sandwich generation" in 1981 as "adult children of the elderly who are 'sandwiched' between their aging parents and their own maturing children."
   A. True B. False

The Four Financial Risks in Retirement

8. Which statement(s) about longevity risk is (are) correct?
   I. The opioid crisis is impacting longevity for key demographic groups, such as college-educated males and uneducated middle-aged women in certain geographic areas.
   II. Longevity risk has become a more significant planning risk than it was in the past because people are living longer and because of the decline in employer-provided defined-benefit plans.
   A. I only C. Both I and II
   B. II only D. Neither I nor II

9. All of the following statements about retirement planning to address longevity risk are correct **EXCEPT:**
   A. Social Security can be considered a form of insurance that protects against longevity and inflation risks if the retiree and the retiree's spouse elect benefits as soon as they qualify.
   B. Purchase of a qualified longevity annuity contract (QLAC) with IRA funds is a viable strategy for guaranteeing cash flow if the owner exceeds life expectancy.
   C. Converting assets into immediate annuities can serve as "legacy" insurance.
   D. A reverse mortgage is a way of giving a retiree ongoing income in retirement even if he/she exceeds life expectancy.

10. All of the following statements about retirement risks are correct **EXCEPT:**
   A. In recent years, market risk has increased for retirees because of the shift from defined-benefit to defined-contribution plans.
   B. Inflation risk as a concern during retirement years has tended to go unnoticed because of recent economic history.
   C. Spending risk is considered more manageable than market risk, inflation risk, and longevity risk because individuals have a say in spending which allows for preplanning, monitoring, and making adjustments.
   D. Spending risk tends to be more pronounced in the early years of retirement than in the later years because the retiree is active.

11. Which statement(s) about retirement planning for market risk is (are) correct?
    I. A well-known approach to dealing with market risk in structuring retirement income is to use a systematic withdrawal discipline.
    II. Many planners employ techniques such as guard rails and glide paths to address the limitations of the 4 percent rule for determining annual withdrawal amounts in retirement.

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

Social Security Benefits for Spouses

12. In order to receive Social Security benefits as a former spouse, how long must the marriage have lasted before ending in divorce?

    A. 9 months   C. 10 years
    B. 2 years   D. 15 years

13. All of the following statements about the Social Security benefit available to a nonemployed spouse of a living person are correct **EXCEPT**:
    A. Early-retirement reductions are not taken into account when determining the Social Security benefit available to a nonemployed spouse of a living person.
    B. The benefit available to a nonemployed spouse of a living person equals one-half of the employed spouse's benefit.
    C. A current nonemployed spouse who has reached Social Security eligibility age cannot receive a spouse's benefit until the other employed spouse becomes entitled to a retired-worker benefit.
    D. Both employed and nonemployed spouses must reach their respective eligibility ages before they can receive any monthly Social Security benefits.

14. Jack and Jill have been married for 40 years and just reached their full retirement ages. Jack is entitled to a monthly retired-worker Social Security benefit of $1,400. Jill never worked in paid employment. What is the monthly Social Security benefit to which Jill is entitled?

    A. $700   C. $350
    B. $466   D. $1,400

15. True or False. Because most married women retiring now have substantial earnings histories of their own, and because Social Security's weighted benefit formula provides relatively richer benefits (as measured by replacement rates) to lower income workers, only 22 percent of married couples have eligibility for spousal benefits while both are alive.

    A. True   B. False

16. All of the following statements about claiming Social Security benefits are correct **EXCEPT**:
    A. The best strategy for healthy couples with any meaningful disparity in earnings is for the spouse with the higher Social Security benefit to delay receipt until age 70.
    B. Nobody should delay initial receipt of Social Security benefits beyond age 70.
    C. For a married couple, maximizing the larger benefit by delaying initial receipt of Social Security benefits provides a financial advantage to both spouses.
    D. For a married 62-year old worker who has just learned he is terminally ill and expected to die within 6 months, there is no reason not to claim Social Security benefits immediately.

Should Annuities Be Purchased from Tax-Sheltered Assets?

17. Which statement(s) regarding purchasing an annuity from a tax-sheltered savings account such as a 401(k) or IRA is (are) correct?
    I. The U.S. Department of the Treasury issued final rules in 2014 that provided a tax incentive for retirees to purchase longevity annuities using IRA assets.
    II. LIMRA research data indicates that in 2017 annuity sales through IRAs and defined-contribution plans were more than double the amount of annuities purchased from nonqualified assets.

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

18. All of the following statements about the types of accounts that can be used to fund spending in retirement are correct **EXCEPT**:
    A. Taxable accounts are generally the least efficient type since all realized gains are taxed either annually or at the time of sale.
    B. Tax-deferred accounts, such as a 401(k) or 403(b) defined-contribution plan, are one available option for funding retirement for most investors.
    C. The amount that investors can invest in tax-exempt and nonbasis tax-deferred accounts is a binding constraint.
    D. Tax-exempt accounts, such as a Roth IRA, are the primary source of funding retirement spending for retirees in the lowest income tax bracket.

19. Janet purchased an immediate annuity at age 65 for $100,000 that provides an annual payment of $6,232. All the following statements about the annuity payment are correct **EXCEPT**:
    A. In the first year annuity payments are made, $4,878 of the $6,232 is subject to taxation.
    B. The annuity payment is based on Janet's life expectancy of 20.5 years.
    C. A portion of the annuity payment represents the growth on the initial investments spread over Janet's life expectancy.
    D. The portion of the annuity payment that represents a return of the original premium paid is excluded from taxation.

20. According to the information provided in Table 1, all the following statements about the amount of savings needed to fund $10,000 in after-tax annuity income are correct **EXCEPT**:
    A. A retiree in a low-income tax bracket can purchase $10,000 lifetime income for $177,628 from a traditional IRA.
    B. A retiree in a 40 percent tax bracket needs $188,603 to purchase $10,000 lifetime income from a traditional IRA.
    C. A retiree in a 40 percent tax bracket would need a balance two-thirds higher to fund the same after-tax income from a traditional IRA versus a Roth IRA.
    D. A retiree in a 20 percent tax bracket can purchase $10,000 lifetime income for $159,865 from a Roth IRA.

21. Which statement(s) about the selection of a taxable account, rather than a traditional tax-sheltered account, to purchase an annuity is (are) correct?
    I. The taxable account becomes increasingly advantageous at higher tax rates.
    II. If a retiree holds tax-inefficient bonds within a taxable and a traditional IRA account, the annuity should generally be purchased from bonds held within the IRA.

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

The Impact of the Mortgage Term Selection on the Home Buyer's Future Net Worth

22. All the following statements about home purchases in the United States are correct **EXCEPT:**
    - A. Approximately 88 percent of home buyers in the United States finance the purchase of their home with a home mortgage, according to the National Association of Realtors.
    - B. The two most popular mortgages selected by home buyers are the fixed-rate 30-year term home mortgage and the variable-rate 15-year term mortgage.
    - C. According to the Bureau of Labor Statistics, the fixed-rate 15-year term mortgage was selected by 14 percent of all home buyers between 2004 and 2014.
    - D. For financially capable home buyers, the fixed-rate 15-year term mortgage may provide attractive low-risk wealth-building opportunities.

23. All of the following statements about research related to the advantages and disadvantages of the 15-year term home mortgage versus the 30-year term home mortgage and the impact on home buyers' future net worth are correct **EXCEPT:**
    - A. Research has indicated that financial benefits associated with a 30-year term home mortgage increase as the borrower's marginal tax rate and risk tolerance increase.
    - B. Many researchers have concluded that since the average length of time that single-family home buyers stay in the home is 13 years, there is no meaningful difference between a 15-year term home mortgage and a 30-year term mortgage in creating future wealth.
    - C. According to research by Dhillion, Shilling, and Sirroans, wealthy home buyers tend to select the 15-year term home mortgage, despite survey information from the National Association of Realtors that higher tax savings opportunities tend to favor the 30-year term home mortgage.
    - D. Recent research on the 15-year mortgage as an investment which takes into account the Tax Cuts and Jobs Act, found the 15-year term home mortgage is preferred as a low-risk investment.

24. What was the national average home mortgage interest rate for a 30-year fixed rate mortgage as published by the *Wall Street Journal* on August 9, 2019?
    - A. 5.42 percent
    - B. 4.60 percent
    - C. 3.70 percent
    - D. 3.25 percent

25. Which statement(s) about comparing the fixed-rate 15-year term mortgage to the fixed-rate 30-year term mortgage for loan qualification purposes (is) are correct?
    - I. Loan applicants will find it easier to meet loan qualification guidelines with shorter term mortgages.
    - II. A credit score of 840 or higher is nonnegotiable for an applicant to qualify for a longer term mortgage at an advantageous interest rate.
    - A. I only
    - B. II only
    - C. Both I and II
    - D. Neither I nor II

26. True or False. Home buyers who select the 15-year term mortgage and invest the monthly mortgage savings into a tax-deferred 401(k) or 403(b) plan have the opportunity to create a higher return, but will experience a higher investment risk compared to the selection of the 30-year term mortgage.
    - A. True
    - B. False

Financial Planning Insights from Research: Concepts Practitioners Can Use

27. All of the following statements about estate planning in light of recent trends are correct **EXCEPT**:
    A. To address client needs, estate planners should review intake forms to ensure that digital currency, including cryptocurrency, is addressed and to inquire whether the client plans to acquire any digital currency in the future.
    B. According to research by Jensen, Stum, and Jackson, planners working with families with steprelatives must be aware of fair inheritance which involves outcomes based on equality and equity.
    C. Gender transition, along with marriage, divorce, birth of a child, disability, and death, must be included on the list of causes that trigger a major estate plan review.
    D. The doubling of the estate, gift, and generation-skipping tax exemption by the Tax Cuts and Jobs Act of 2017 makes planning easier for U.S. shareholders of a foreign corporate stock because of the easing of controlled foreign corporation (CFC) rules.

28. All of the following statements about life insurance planning in the wake of Tax Cuts and Jobs Act are correct **EXCEPT**:
    A. According to Kess and Slavutin, life insurance planning opportunities present themselves with respect to lifetime gifts and generation-skipping transfers rather than in the context of estate taxes.
    B. One strategy would be for clients to consider holding on to life insurance policies that were purchased to address estate tax liability as conservative savings vehicles rather than letting the policies lapse.
    C. Changes in the treatment of tax basis for life settlements narrows the use of this option for interested clients.
    D. Kess and Slavutin suggest funding a split-dollar arrangement with retained earnings to bypass the double taxation of C corporations.

29. All of the following statements about retirement planning and spending are correct **EXCEPT**:
    A. Research by Hung found that only three out of every 10 individuals with a formalized retirement plan felt comfortable with the plan.
    B. Confusion about risk related to investing and spending can lead a client not to spend funds in retirement.
    C. Concern about potentially poor estimates of future health costs and longevity reduces the client's appetite for spending in retirement.
    D. According to Browning, the single most significant factor related to spending in retirement is whether or not the client has a defined-benefit contribution plan.

30. Which statement(s) about hyperbolic savers (is) are correct?
    I. Researchers suggest that financial planners can assist hyperbolic savers by identifying and implementing multiple control devices such as participating in a 401(k) plan or setting up automatic transfers to savings.
    II. Researchers recommend that financial planners encourage hyperbolic savers to have an exceptionally large emergency account to avoid outliving their savings.

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