

Plan Smart, Live More: Test Your Estate Planning IQ!

1. In 2025, what is the total amount of money and property you can gift during your lifetime and leave at your death to your loved ones (other than to your spouse) without owing federal estate tax?
 - a. \$5 million
 - b. \$15 million
 - c. \$13.99 million
 - d. as much as you want

The correct answer is “c.” For 2025, the federal exemption is \$13.99 million. This amount, also known as the federal lifetime estate and gift tax exemption, applies to both gifts made during a person’s life and accounts and property transferred at death. The exemption is set by federal statute and adjusted annually for inflation. However, any accounts and property left to a surviving spouse who is a US citizen are not subject to federal estate tax due to the unlimited marital deduction.

2. Which of the following estate planning tools is often used to designate who will inherit your money and property after your death?
 - a. living will
 - b. financial power of attorney
 - c. last will and testament
 - d. healthcare proxy

The correct answer is “c.” A last will and testament is a legal document that allows the creator of the will, or *testator*, to specify how and to whom their money and property are to be distributed after their death. It also allows the testator to nominate a guardian for their minor children and appoint an executor to manage their estate.

3. What is the legal process by which a deceased person’s will is proved valid (if they have one) and their estate is administered under court supervision?
 - a. conservatorship
 - b. trust administration
 - c. guardianship
 - d. probate

The correct answer is “d.” Probate is the legal process through which a court validates a deceased person’s will (if one exists) and ensures that their estate is properly administered. Probate administration includes paying off the decedent’s valid debts and taxes and distributing the remaining money and property to the beneficiaries. The court oversees this process to protect the interests of all parties involved.

4. Under a medical power of attorney, a person can appoint an agent to make decisions for them regarding:
- business operations
 - real estate transactions
 - medical treatment and care
 - financial investments

The correct answer is “c.” A medical power of attorney—also known as a healthcare proxy or durable power of attorney for healthcare—is a legal document that allows a person to appoint an agent to make medical decisions on their behalf if they become unable to do so themselves. The appointed agent, often a trusted family member or close friend, is authorized to consent to or refuse medical treatments or surgeries and make other healthcare decisions according to the patient’s wishes.

5. What happens if you die without a valid will and own accounts or property in your sole name without a designated beneficiary?
- your spouse or children automatically inherit everything
 - your money and property are distributed according to state intestacy laws
 - the accounts are held by the financial institution permanently
 - your money and property automatically go to the state

The correct answer is “b.” If a person dies without a valid will, they are said to have died *intestate*. In this situation, state intestacy laws determine how the money and property held in the decedent’s sole name, with no designated beneficiary, will be distributed. These laws vary by state but generally prioritize the surviving spouse, children, parents, and other close relatives in a specific order. The state does not automatically seize the money and property.

6. Which of the following assets typically avoid probate?
- a solely owned bank account without a named beneficiary
 - real estate jointly owned as tenants in common
 - a life insurance policy with a named beneficiary
 - personal belongings such as furniture and art

The correct answer is “c.” When a life insurance policy has a designated beneficiary, the death benefit is paid directly to that person, bypassing the court-supervised probate process.

7. The primary purpose of a living will or advance directive is to
- name a guardian for minor children
 - outline medical treatment preferences for times when you cannot communicate those wishes yourself
 - appoint someone to manage financial affairs

- d. distribute money and property after death

The correct answer is “b.” A living will, also called an advance directive, is a document recognized by most states that provides instructions for a person’s medical care if they become terminally ill or incapacitated and are unable to communicate their wishes. It specifies their preferences regarding life-sustaining treatments such as artificial hydration and feeding, mechanical ventilation, and resuscitation.

8. Which of the following is **not** a common estate planning goal?
- a. avoiding probate
 - b. maximizing income taxes during one’s lifetime
 - c. minimizing estate taxes
 - d. ensuring money and property are distributed according to one’s wishes

The correct answer is “b.” Common estate planning goals include ensuring that your assets are managed and distributed according to your wishes, avoiding probate, and minimizing estate and gift taxes.

9. Which of the following can be accomplished by using a revocable living trust as the foundation of your estate plan?
- a. probate avoidance
 - b. maintaining privacy during and after your death
 - c. providing guidelines and restrictions to protect a beneficiary’s inheritance
 - d. all of the above

The correct answer is “d.” A revocable living trust is used as the foundation of most estate plans because it offers several key benefits. It allows the avoidance of probate and ensures that assets are transferred to beneficiaries more smoothly and privately. It also provides guidelines and restrictions that can protect a beneficiary’s inheritance—for example, providing for distributions in stages over time instead of as a single lump sum.

10. Is it okay to leave money or property outright to your loved ones?
- a. no, never
 - b. only if they are over the age of 21
 - c. only if it is less than \$1,000
 - d. yes, as long as you have considered the beneficiary’s situation and you have no concerns about their ability to manage money or their need for creditor protection

The correct answer is “d.” Leaving money or property outright to a loved one means giving them full and immediate control. While this is the simplest method of distributing an inheritance, it is not always the best. Before you do so, consider

the beneficiary's specific situation, such as their age, financial maturity, any special needs, and whether they have any creditor issues or concerns.