

CFP ESTATE PLANNING PRACTICE TEST (SAMPLE)

STUDY GUIDE



SAMPLE STUDY GUIDE WITH LIMITED QUESTIONS

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Introduction

Preparing for a certification exam can feel overwhelming, but with the right tools, it becomes an opportunity to build confidence, sharpen your skills, and move one step closer to your goals. At Examzify, we believe that effective exam preparation isn't just about memorization, it's about understanding the material, identifying knowledge gaps, and building the test-taking strategies that lead to success.

This guide was designed to help you do exactly that.

Whether you're preparing for a licensing exam, professional certification, or entry-level qualification, this book offers structured practice to reinforce key concepts. You'll find a wide range of multiple-choice questions, each followed by clear explanations to help you understand not just the right answer, but why it's correct.

The content in this guide is based on real-world exam objectives and aligned with the types of questions and topics commonly found on official tests. It's ideal for learners who want to:

- Practice answering questions under realistic conditions,
- Improve accuracy and speed,
- Review explanations to strengthen weak areas, and
- Approach the exam with greater confidence.

We recommend using this book not as a stand-alone study tool, but alongside other resources like flashcards, textbooks, or hands-on training. For best results, we recommend working through each question, reflecting on the explanation provided, and revisiting the topics that challenge you most.

Remember: successful test preparation isn't about getting every question right the first time, it's about learning from your mistakes and improving over time. Stay focused, trust the process, and know that every page you turn brings you closer to success.

Let's begin.

How to Use This Guide

This guide is designed to help you study more effectively and approach your exam with confidence. Whether you're reviewing for the first time or doing a final refresh, here's how to get the most out of your Examzify study guide:

1. Start with a Diagnostic Review

Skim through the questions to get a sense of what you know and what you need to focus on. Your goal is to identify knowledge gaps early.

2. Study in Short, Focused Sessions

Break your study time into manageable blocks (e.g. 30 – 45 minutes). Review a handful of questions, reflect on the explanations.

3. Learn from the Explanations

After answering a question, always read the explanation, even if you got it right. It reinforces key points, corrects misunderstandings, and teaches subtle distinctions between similar answers.

4. Track Your Progress

Use bookmarks or notes (if reading digitally) to mark difficult questions. Revisit these regularly and track improvements over time.

5. Simulate the Real Exam

Once you're comfortable, try taking a full set of questions without pausing. Set a timer and simulate test-day conditions to build confidence and time management skills.

6. Repeat and Review

Don't just study once, repetition builds retention. Re-attempt questions after a few days and revisit explanations to reinforce learning. Pair this guide with other Examzify tools like flashcards, and digital practice tests to strengthen your preparation across formats.

There's no single right way to study, but consistent, thoughtful effort always wins. Use this guide flexibly, adapt the tips above to fit your pace and learning style. You've got this!

Questions

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- 1. What must spouses do when giving a joint gift using the split-gift technique?**
 - A. File a tax return with the IRS
 - B. Notify the beneficiaries immediately
 - C. Obtain a written agreement
 - D. Update their will
- 2. Which property ownership arrangement is recognized solely between spouses?**
 - A. Joint Tenancy with Right of Survivorship
 - B. Tenancy by the Entirety
 - C. Common Law Ownership
 - D. Life Estate
- 3. When a named beneficiary of an insurance policy gifts the proceeds to another person, who is liable for the gift tax?**
 - A. The insurance company
 - B. The named beneficiary
 - C. The estate of the decedent
 - D. The next of kin
- 4. What must a trust do in order to be subject to gift tax?**
 - A. Provide income only to grandchildren
 - B. Distribute assets equally among siblings
 - C. Maintain joint ownership with the transferor
 - D. Allow a lifetime income to specified beneficiaries
- 5. What is a significant limitation of pooled income funds?**
 - A. They allow sprinkling provisions
 - B. They cannot be administered by trustees
 - C. They do not permit sprinkling provisions
 - D. They cannot receive cash donations

- 6. In gift splitting, what is the limit per recipient for a married couple?**
- A. \$13,000
 - B. \$26,000
 - C. \$39,000
 - D. \$52,000
- 7. Which type of gifts is subject to the three-year adback rule for gross estate?**
- A. All gifts without exception
 - B. Only gifts of cash
 - C. Certain gifts, such as life insurance policies
 - D. Gifts exceeding \$10,000
- 8. What occurs if a will attempts to disinherit a spouse or minor child?**
- A. It is considered valid in all jurisdictions
 - B. It can lead to litigation
 - C. It is automatically honored
 - D. It can be challenged in court
- 9. What aspect of revocable trusts is NOT a benefit?**
- A. They can provide for privacy
 - B. They create a joint tenancy
 - C. They avoid probate
 - D. They do not save taxes
- 10. What is the maximum number of shareholders allowed for an S Corporation to qualify for Section 6166?**
- A. Less than 50 shareholders
 - B. Less than 100 shareholders
 - C. Less than 30 shareholders
 - D. Less than 45 shareholders

Answers

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1. A
2. B
3. B
4. D
5. C
6. B
7. C
8. B
9. B
10. D

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Explanations

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1. What must spouses do when giving a joint gift using the split-gift technique?

- A. File a tax return with the IRS**
- B. Notify the beneficiaries immediately
- C. Obtain a written agreement
- D. Update their will

When spouses give a joint gift using the split-gift technique, they must file a gift tax return with the IRS. This technique allows a married couple to combine their annual gift tax exclusions, effectively doubling the amount they can gift in a given year without incurring gift tax. However, to utilize this option, both spouses need to agree to treat the gifts made as coming from both of them equally. By filing a gift tax return, the couple formally documents the gifts under the split-gift election, which provides clarity and compliance with tax regulations. This is essential for ensuring that the IRS recognizes the joint gifting strategy and applies the appropriate exclusions. Filing is particularly important if the total gift amount exceeds the annual exclusion limit for that tax year. In contrast, while notifying beneficiaries, obtaining a written agreement, or updating a will may be prudent actions within the context of estate planning and gifting, they are not required by tax law when implementing the split-gift technique. The filing of a tax return is the key action that fulfills the legal obligation associated with this gifting strategy.

2. Which property ownership arrangement is recognized solely between spouses?

- A. Joint Tenancy with Right of Survivorship
- B. Tenancy by the Entirety**
- C. Common Law Ownership
- D. Life Estate

The property ownership arrangement recognized solely between spouses is Tenancy by the Entirety. This form of ownership is unique because it is designed specifically for married couples, creating a unified ownership interest in the property. Each spouse holds an equal share of the property, and this form of ownership provides certain legal protections that are not available with other types of joint ownership. In Tenancy by the Entirety, when one spouse passes away, the surviving spouse automatically becomes the sole owner of the property, ensuring a smooth transfer of ownership without the need for probate. Additionally, this type of ownership may protect the property from creditors of one spouse, as it is viewed as an indivisible unit. While Joint Tenancy with Right of Survivorship also allows for a right of survivorship, it is not exclusive to spouses, as individuals can hold property as joint tenants with anyone. Common Law Ownership and Life Estate also do not specifically pertain to married couples, making Tenancy by the Entirety the correct answer for an arrangement that is recognized solely between spouses.

3. When a named beneficiary of an insurance policy gifts the proceeds to another person, who is liable for the gift tax?

- A. The insurance company
- B. The named beneficiary**
- C. The estate of the decedent
- D. The next of kin

The named beneficiary of an insurance policy is responsible for any gift tax liability when they choose to gift the proceeds to another person. When the beneficiary receives the insurance payout, they have full ownership of that amount and can decide how to use or distribute it. If they decide to gift the entire or part of the proceeds to another individual, that gift is subject to gift tax under the Internal Revenue Code. The requirement for the named beneficiary arises from their control over the funds once they are received. Since they made the decision to give the proceeds away, the IRS considers this a completed gift, making the beneficiary liable for any associated gift tax, provided the amount exceeds the annual gift tax exclusion. Other parties, such as the insurance company or the next of kin, do not bear the tax liability in this situation. The estate of the decedent may be involved in the context of estate taxes, but it does not factor into the gift taxes imposed on the actions of the named beneficiary after the policy has been paid out.

4. What must a trust do in order to be subject to gift tax?

- A. Provide income only to grandchildren
- B. Distribute assets equally among siblings
- C. Maintain joint ownership with the transferor
- D. Allow a lifetime income to specified beneficiaries**

For a trust to be subject to gift tax, it generally must allow for the potential to provide a lifetime income to specified beneficiaries. This is significant because when assets are transferred into a trust and the transferor retains the right to income from these assets (without relinquishing control), it generally indicates that they are making a gift of the potential future benefits associated with those assets. When the trust is set up to provide income to specified beneficiaries for their lifetime, it means that the transferor has given something of value away, as the beneficiaries will receive financial benefits from the trust during their lifetimes. This transfer of economic value is what triggers gift tax considerations. The Internal Revenue Service assesses the value of the gift based on the rights and benefits relinquished by the transferor, which is applicable here. In contrast, the other options describe situations that typically do not involve a taxable gift under the guidelines of U.S. tax law. For example, providing income exclusively to grandchildren or distributing assets equally among siblings may not necessarily entail a taxable gift without the requisite ongoing income rights or control being given up. Maintaining joint ownership with the transferor doesn't constitute a gift if it allows the transferor to retain full enjoyment and use of the asset. Therefore, the choice that allows

5. What is a significant limitation of pooled income funds?

- A. They allow sprinkling provisions
- B. They cannot be administered by trustees
- C. They do not permit sprinkling provisions**
- D. They cannot receive cash donations

A significant limitation of pooled income funds is that they do not permit sprinkling provisions. This means that the income generated from the fund cannot be allocated or "sprinkled" among various beneficiaries at the discretion of the trustee. Instead, the income is typically distributed to the income beneficiaries based on their proportional share in the fund. This can limit flexibility in managing the distribution of income, especially in a situation where adjustments may be necessary to meet the varying needs of different beneficiaries over time. In contrast, other types of trusts may allow for more discretion in the allocation of income and principal, thereby providing a broader range of options for estate planning.

6. In gift splitting, what is the limit per recipient for a married couple?

- A. \$13,000
- B. \$26,000**
- C. \$39,000
- D. \$52,000

In the context of gift splitting for a married couple, the limit per recipient is indeed \$26,000. This is based on the annual gift tax exclusion, which allows individuals to give a certain amount to each recipient without incurring gift tax. For 2023, that exclusion amount is \$13,000 per individual. When both spouses consent to gift splitting, they can effectively double that exclusion amount for each recipient, resulting in a total limit of \$26,000 per recipient. This means that a married couple can gift up to \$26,000 to each person without it counting against their lifetime gift tax exemption. This strategy can be beneficial for tax planning, as it allows couples to maximize their tax-free gifts to children or others while minimizing potential taxable gifts. By utilizing gift splitting, couples can significantly enhance their financial support to recipients without triggering taxation.

7. Which type of gifts is subject to the three-year adback rule for gross estate?

- A. All gifts without exception
- B. Only gifts of cash
- C. Certain gifts, such as life insurance policies**
- D. Gifts exceeding \$10,000

The three-year adback rule in the context of estate planning refers to how certain gifts made by the decedent can be included in the gross estate if the individual dies within three years of making those gifts. This rule is primarily aimed at ensuring that the Internal Revenue Service can assess and include specific transfers that may have been made with the intent of reducing estate tax liability. The correct answer highlights that the three-year adback rule specifically applies to certain gifts, including life insurance policies. When an individual transfers a life insurance policy to another person, the value of that policy may be included in their gross estate if the transfer takes place within three years of death. This is to prevent the avoidance of estate taxes through the gifting of significant financial assets shortly before death. The other options do not accurately describe the scope of the three-year adback rule. For instance, not all gifts, including many small or trivial gifts, are subject to this rule; it's tailored towards specific types like life insurance policies and certain high-value gifts. Furthermore, the rule does not exclusively apply to cash gifts or impose a blanket threshold of \$10,000; rather, it is concerned with the timing of the gift and the intent behind it in relation to estate planning strategies. Thus,

8. What occurs if a will attempts to disinherit a spouse or minor child?

- A. It is considered valid in all jurisdictions
- B. It can lead to litigation**
- C. It is automatically honored
- D. It can be challenged in court

When a will attempts to disinherit a spouse or minor child, it can lead to litigation primarily because of the legal protections afforded to these family members. In many jurisdictions, spouses and minor children have certain rights to inherit a portion of the estate irrespective of the provisions of the will. These protections are often referred to as "forced heirship" rights or spousal elective share laws. Due to these rights, if a will explicitly tries to disinherit a spouse or minor child, it may prompt challenges in court. Family members may contest the will on the grounds that it violates statutory provisions designed to protect them. As a result, litigation can arise as parties seek to enforce their rights and secure their entitled inheritance, making it a common consequence of such a disinheritance attempt. While a will may be valid in its formalities, the specific clauses about disinheritance do not guarantee that they will be enforced without dispute. The legal framework surrounding inheritance and family rights creates a scenario where such provisions are often contested, reflecting the significance of protecting familial relationships in estate planning.

9. What aspect of revocable trusts is NOT a benefit?

- A. They can provide for privacy
- B. They create a joint tenancy**
- C. They avoid probate
- D. They do not save taxes

Revocable trusts offer several key benefits that make them popular estate planning tools, including the ability to provide privacy for the grantor's estate, the avoidance of probate, and the fact that assets held within them do not generate tax savings. Among these, creating a joint tenancy is not a benefit associated with revocable trusts. Joint tenancy is a form of ownership where two or more people hold equal shares in a property, and it comes with specific implications for transfer and inheritance, such as the right of survivorship. In contrast, a revocable trust functions independently of joint tenancy. The primary purpose of a revocable trust is to manage and distribute assets according to the wishes of the grantor, while still allowing for changes or revocation during their lifetime. Therefore, saying that revocable trusts create a joint tenancy misrepresents their structure and purpose, making it clear that this is not a benefit of utilizing a revocable trust for estate planning.

10. What is the maximum number of shareholders allowed for an S Corporation to qualify for Section 6166?

- A. Less than 50 shareholders
- B. Less than 100 shareholders
- C. Less than 30 shareholders
- D. Less than 45 shareholders**

To qualify for Section 6166, which offers an estate tax deferral for closely held businesses, an S Corporation must adhere to specific criteria, including limitations on the number of shareholders. The correct maximum number of shareholders for an S Corporation is less than 100. This allows the corporation to maintain its status as a passthrough entity for tax purposes, which is a critical factor in the context of estate planning and tax deferral. The specified number of shareholders is significant because it ensures that S Corporations are typically smaller businesses, which aligns with the objectives of Section 6166 to support family businesses and similar entities in managing their estate tax responsibilities. In this case, while less than 50, 30, and 45 shareholders are all limits that could be considered, they are not accurate in this context as the actual statutory limitation is less than 100 shareholders. Therefore, none of those figures reflect the stipulation set forth by the IRS for S Corporations under Section 6166.

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Next Steps

Congratulations on reaching the final section of this guide. You've taken a meaningful step toward passing your certification exam and advancing your career.

As you continue preparing, remember that consistent practice, review, and self-reflection are key to success. Make time to revisit difficult topics, simulate exam conditions, and track your progress along the way.

If you need help, have suggestions, or want to share feedback, we'd love to hear from you. Reach out to our team at hello@examzify.com.

Or visit your dedicated course page for more study tools and resources:

<https://cfpestateplanning.examzify.com>

We wish you the very best on your exam journey. You've got this!

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