

## **Business and Personal Finance © 2012**

### **Chapter 24: Retirement and Estate Planning**

#### **Check Your Answers: Section Assessment**

##### **Section 3**

##### **Review Key Concepts**

- 1.** A simple will leaves everything to the spouse; a traditional marital share will leaves half of the estate less debts and costs to the spouse and the other half to other heirs; an exemption trust will leaves all assets to the spouse except for a specified amount which goes into a trust; a stated dollar amount leaves a specified dollar amount to your spouse.
- 2.** It enables the spouse of a deceased person to avoid paying federal taxes on a certain amount of assets left to him or her as part of an estate.
- 3.** Joint tenants with the right of survivorship, tenants in common, and tenancy by the entirety.
- 4.** An inheritance tax is collected on the property left by a person in his or her will and is only imposed by state governments. A gift tax is collected by both state and federal governments and must be paid on any money or property valued at more than \$11,000 that is given from one person to another.

##### **Higher Order Thinking**

- 5.** Because this is a major change to his will, Stefan would be better off to prepare a new will, including a clause to cancel the current document.

##### **English Language Arts**

- 6. Final Wishes** Dialogues will vary but should clearly convey to Ian that a letter of last instruction is not legally binding and should only be used to share preferences for funeral arrangements and locations of important documents or items. A will is a legally-binding document and should be used to ensure that your estate is divided according to your wishes.

##### **Mathematics**

- 7. Estate Tax** Amount received above exemption =  $\$2,750,000 - \$2,000,000 = \$750,000$ ;  
Tax paid =  $\$750,000 \times 48\% = \$360,000$ .