CANNON TRUST SCHOOL LEVEL I PRACTICE EXAM (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.

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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!

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Questions

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1. The Federal Reserve Board wishes to stimulate a sluggish economy, it would do so by doing which of the following?

A. Selling U.S. Government securities in the open market & Raising reserve requirements & Reducing margin requirements.

B. Buying U.S. Government securities in the open market & Lowering reserve requirements & Reducing margin requirements.

C. Selling U.S. Government securities in the open market & Lowering reserve requirements & Increasing margin requirements.

D. Buying U.S. Government securities in the open market & Raising reserve requirements & Increasing margin requirements.

2. Which of the following is NOT one of the three primary things to be examined before accepting an account?

A. Tax status of beneficiary

B. Instrument (last will and testament; trust agreement)

C. Assets (type, quality, location of real estate)

D. Interested parties (settlor; income benes; remainder persons)

3. What is the term for a terminable interest that qualifies for the marital deduction if the donor or executor elects?

A. Qdot

B. Qtip

C. Bypass Trust

D. Testamentary

4. Which trust arrangement allows for annual gift tax exclusion through Crummey powers?

A. Simple trust

B. Complex trust with Crummey powers

C. Vested remainder trust

D. Life estate

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5. A trust in which the grantor retains such power over the trust or is given such power over a trust that all items of income and deduction are attributed to the person rather than the trust.

A. Revocable

B. Charitable

C. Grantor

D. Testamentary

6. Which statement about QDT tax withholding is true?

A. The U.S. trustee must have the right to withhold federal estate taxes from any distribution.

B. There is no withholding on distributions, ever.

C. Tax withholding is not allowed under any circumstance.

D. The withholding is optional and at the discretion of the beneficiary.

7. The most important factor in the long-term performance of equity investments is:

A. The management of the corporation.

B. The economy.

C. The industry of the corporation.

D. Interest rates.

8. Which estate planning tool uses the decedent's unused exemption to shelter assets from federal estate tax while allowing income or access to the surviving spouse?

A. Qualified Personal Residence Trust

B. Irrevocable Life Insurance Trust

C. A-B trust

D. Charitable Remainder Trust

9. What is the best definition of a caveat in probate law?

A. An amendment to a will.

B. An action filed in probate court to dismiss an executor.

C. The document issued by the probate court giving the executor official capacity to act as personal representative for decedent's estate.

D. An action filed in probate court objecting to a will.

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10. A bequest is best described as what?

A. A gift in a will

B. A gift made during life

C. A loan to an heir

D. An action to probate a will

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Answers

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

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Explanations

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1. The Federal Reserve Board wishes to stimulate a sluggish economy, it would do so by doing which of the following?

A. Selling U.S. Government securities in the open market & Raising reserve requirements & Reducing margin requirements.

B. Buying U.S. Government securities in the open market & Lowering reserve requirements & Reducing margin requirements.

C. Selling U.S. Government securities in the open market & Lowering reserve requirements & Increasing margin requirements.

D. Buying U.S. Government securities in the open market & Raising reserve requirements & Increasing margin requirements.

Expansionary monetary policy uses actions that put more money into the economy and make borrowing easier. Buying U.S. Government securities in the open market increases bank reserves, which expands the money supply and tends to lower interest rates, encouraging lending and investment. Lowering reserve requirements lets banks hold less cash relative to their deposits, freeing up funds to loan out more, further boosting money supply and credit creation. Reducing margin requirements makes it cheaper and easier to borrow to buy assets like stocks, increasing consumer and business borrowing and spending. The other approaches would tighten conditions: selling securities pulls money out of circulation; raising reserve requirements and increasing margin requirements make borrowing harder and slow spending.

2. Which of the following is NOT one of the three primary things to be examined before accepting an account?

A. Tax status of beneficiary

B. Instrument (last will and testament; trust agreement)

C. Assets (type, quality, location of real estate)

D. Interested parties (settlor; income benes; remainder persons)

The main idea being tested is knowing what you must review to accept an account. When you're evaluating an estate or trust to take on, you first check the instrument to understand the rules that govern distributions and duties. Next, you inventory the assets—what the estate or trust owns, their types, quality, and where they're located—to know what needs to be managed and valued. Finally, you identify the interested parties—the settlor, the current income beneficiaries, and any remainder recipients—so you know who has rights, who may be entitled to notices, and who could be affected by decisions. The tax status of a beneficiary isn't one of these three primary items because it doesn't determine the governing terms, the asset base, or who has an interest. Tax considerations are important and are handled with tax professionals, but they don't change what you must verify to accept the account: the instrument, the assets, and the interested parties.

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3. What is the term for a terminable interest that qualifies for the marital deduction if the donor or executor elects?

A. Qdot

B. Qtip

C. Bypass Trust

D. Testamentary

In estate planning, a terminable interest that can qualify for the marital deduction when the deceased spouse elects is known as a Qualified Terminable Interest Property trust, or QTIP. In a QTIP setup, the surviving spouse receives all the trust's income for life, and the remainder can go to other beneficiaries later. The donor or executor can elect to treat the property as QTIP for tax purposes, which makes the transfer qualify for the unlimited marital deduction. This lets the first spouse's estate pass to the surviving spouse without immediate estate tax, with tax potentially due later when the survivor dies. Other terms aren't about this specific election mechanism: QDOT is for a non-citizen surviving spouse, bypass trusts are designed to use the first spouse's exemption while preserving assets for other heirs, and a testamentary arrangement is one created by a will.

4. Which trust arrangement allows for annual gift tax exclusion through Crummey powers?

A. Simple trust

B. Complex trust with Crummey powers

C. Vested remainder trust

D. Life estate

Crummey powers convert a contribution to a trust into a present interest by giving the beneficiary a temporary, exercisable right to withdraw some of the gifted funds. Because the beneficiary can access the money within a limited window, the gift is treated as a present interest for gift tax purposes, making it eligible for the annual gift tax exclusion (up to the per donee limit each year). A complex trust that includes Crummey powers is set up to provide these withdrawal rights, so gifts to the trust routinely qualify for the annual exclusion. The other options don't create that withdrawal window: a life estate and a vested remainder involve different interest types that don't give beneficiaries a current right to withdraw contributed funds from the trust, and a simple trust typically lacks the discretionary framework needed to implement Crummey withdrawal rights.

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5. A trust in which the grantor retains such power over the trust or is given such power over a trust that all items of income and deduction are attributed to the person rather than the trust.

A. Revocable

B. Charitable

C. Grantor

D. Testamentary

The main idea here is grantor trust tax treatment. When the grantor retains certain powers over a trust (or is treated as the owner under the grantor trust rules), the trust is ignored for income tax purposes and all items of income and deductions are attributed to the grantor on the grantor's personal tax return. That's exactly what this description conveys, so the correct choice is the Grantor option. Think of it this way: if the grantor still controls or benefits from the trust in specific ways, the IRS treats the trust as if the grantor owns its income. The trust itself doesn't pay tax on those items; the grantor does. That's the hallmark of a grantor trust. A revocable trust often falls under grantor trust rules because control remains with the grantor, but the specific description focuses on the attribution of all income and deductions to the person, which points to grantor trust status rather than being something inherently charitable or testamentary in nature. Charitable trusts are usually separate tax entities with their own rules, and testamentary trusts are created upon death and don't inherently involve the grantor being taxed on the trust's items in the same way.

6. Which statement about QDT tax withholding is true?

A. The U.S. trustee must have the right to withhold federal estate taxes from any distribution.

B. There is no withholding on distributions, ever.

C. Tax withholding is not allowed under any circumstance.

D. The withholding is optional and at the discretion of the beneficiary.

In a Qualified Domestic Trust, the government expects that any potential federal estate tax tied to distributions will be collected. To ensure that, the trust agreement gives the U.S. trustee the authority to withhold federal estate taxes from distributions to the surviving spouse. This withholding acts as a safeguard so taxes aren't left unpaid as funds flow out of the trust. That's why the statement that the U.S. trustee must have the right to withhold is the best fit. Withholding isn't optional or discretionary for the beneficiary, nor is it correct that there's no withholding or that withholding isn't allowed.

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7. The most important factor in the long-term performance of equity investments is:

A. The management of the corporation.

B. The economy.

C. The industry of the corporation.

D. Interest rates.

The main factor that drives long-run equity performance is the quality of the company's management and how effectively they steer the business. Management decides strategy, how capital is allocated, and how operations are run. These decisions shape profitability, growth, and cash flow, which in turn determine how much value the company can create for shareholders over time. When leadership makes prudent bets, allocates capital to high-return opportunities, controls costs, and navigates risks well, earnings power strengthens and the stock tends to reflect that value over the long term. They also set the tone for execution, culture, and resilience, which helps the company perform through cycles and shifts in the market. While economic conditions, industry trends, and interest rates influence results, strong management translates those external factors into sustainable value, making it the most important determinant of long-term performance.

8. Which estate planning tool uses the decedent's unused exemption to shelter assets from federal estate tax while allowing income or access to the surviving spouse?

A. Qualified Personal Residence Trust

B. Irrevocable Life Insurance Trust

C. A-B trust

D. Charitable Remainder Trust

This concept centers on using a decedent's unused federal estate tax exemption to shield assets from tax while still letting the surviving spouse benefit. That is accomplished with a credit shelter trust, typically implemented as an A-B trust. After the first spouse dies, assets are split into two parts: the A trust (the marital portion) provides for the surviving spouse, usually with income for life and access to trust resources; the B trust (the credit shelter portion) holds assets up to the deceased spouse's unused exemption. The assets in the B trust are kept out of the survivor's estate for tax purposes at the second death, so they're sheltered from federal estate tax, while the survivor continues to benefit from the trust's terms. The other tools don't accomplish both goals together: they focus on other planning benefits (like reducing value of a residence, using life insurance outside the estate, or benefiting charity) but not the combination of sheltering with ongoing access for the surviving spouse.

9. What is the best definition of a caveat in probate law?

A. An amendment to a will.

B. An action filed in probate court to dismiss an executor.

C. The document issued by the probate court giving the executor official capacity to act as personal representative for decedent's estate.

D. An action filed in probate court objecting to a will.

A caveat in probate law is a formal notice filed with the probate court by someone with an interest in the estate who wants to oppose the probate of a will. It acts as an objection to the will being probated and can slow or pause the process while the objection is considered. This captures the key idea: it is a protest filed to challenge the will itself, not a change to the will, not a step to remove an executor, and not the document that grants the executor authority. That's why the best definition is an action filed in probate court objecting to a will.

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10. A bequest is best described as what?

A. A gift in a will

B. A gift made during life

C. A loan to an heir

D. An action to probate a will

A bequest is a gift left to someone in a will to be received after the person's death. It's the posthumous transfer of property or money, specified by the testator to a named beneficiary (the legatee or devisee). This is different from gifts given during life, which happen inter vivos, and from a loan, which would be repayable. Probate is the legal process that validates the will and ensures the bequests are distributed as written, but the bequest itself is the gift described in the will. Bequests can be specific (one item), general (a fixed sum), or residuary (the remainder of the estate after other gifts).

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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://cannontrustschoollvl1.examzify.com

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

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