

CACS PAPER1 CHAS

CACS1 (Ch.5) Forced heirship regimes are found mainly in: 4 3 5 2 0 8 9 5	Select the best option Continental Europe Civil law jurisdictions Countries with Islamic traditions All of the above Explanation: (Chapter 5.2) Such regimes are found in continental Europe, civil law jurisdictions and countries with Islamic traditions.
CACS1 (Ch.5) Trusts are not preferred by clients who are: 4 3 5 2 0 9 7 1	Select all options that apply Unfamiliar with trust structures, especially in civil law jurisdictions. Not comfortable handing over the ownership of assets to the trust. Unable to find a suitable trustee. Looking for super-normal returns from their investments. Explanation: (Chapter 5.4) Trusts are not preferred by those who are unfamiliar with its structure, are not comfortable handing over the ownership of the assets to the trust, and are unable to find a suitable trustee.
CACS1 (Ch.5) The common law system is: 4 3 5 2 0 9 2 3	Select all options that apply A body of principles of law developed by legislators. Is based on case law or precedents. A judge is bound to look at the past precedents. A judge is bound to follow the past precedents of similar court's rulings. Explanation: (Chapter 5.3) The Common Law system is a body of principles of law developed by judges and hence is based on case law or precedents.
CACS1 (Ch.5) The foundation structure is advantageous compared to a trust structure in case of: 4 3 5 2 0 9 9 5	Select all options that apply Civil law jurisdictions where people are more familiar with foundations. Founders who are willing to totally relinquish control of their assets. Relatively lower set up and administration costs of foundations. Founders who wish to publicly disclose the beneficiaries. Explanation: (Chapter 5.5) The foundation structure is suitable for founders who are NOT willing to totally relinquish control of their assets and for those who DO NOT want to publicly disclose the beneficiaries.
CACS1 (Ch.5) In Singapore, a will is considered valid and enforceable if it is executed in the presence of minimum ____ witnesses. 5 2 0 9 2 9	Select the best option 7 2 4 3 Explanation: (Chapter 5.3) Minimum 2 witnesses are required.
CACS1 (Ch.5) Which of the following can be reasonably mitigated/protected through the use of a Will? 4 3 5 2 1 1 0 8	Select the best option Debt Tax Forced heirship None of the above Explanation: (Chapter 5.3) Wills cannot help to mitigate debt, tax or forced heirship issues.

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<p>CACS1 (Ch.5)</p> <p>The difference between a trust and a foundation is that:</p>	<p>QID: 4767521111</p> <p>Select the best option</p> <p>A foundation is a distinct legal entity There is no separation of legal and beneficial ownership in a foundation People in civil law countries are more familiar with a Foundation All of the above</p> <p>Explanation: (Chapter 5.5) Unlike a trust, a foundation is a distinct legal entity and there is no separation of legal and beneficial ownership. People in civil law countries are more familiar with a Foundation.</p>
<p>CACS1 (Ch.5)</p> <p>What is the main restriction faced by HNWIs because of Forced Heirship laws in some countries?</p>	<p>QID: 4767520894</p> <p>Select the best option</p> <p>Client's wealth automatically passes to the government upon his death Client's wealth automatically passes to specified philanthropic trusts upon his death Client cannot choose his own beneficiaries Client is forced to transfer his wealth to beneficiaries in tranches</p> <p>Explanation: (Chapter 5.2) The main restriction is that the client cannot choose his own beneficiaries.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following is/are obstacles faced by HNWIs in preserving, protecting or transferring their wealth's efficiently?</p>	<p>QID: 4767520891</p> <p>Select the best option</p> <p>Complex family situations Divorce Probate All of the above</p> <p>Explanation: (Chapter 5.2) Complex family situations, divorce and probate are all obstacles in the given context.</p>
<p>CACS1 (Ch.5)</p> <p>Akbar is a resident of Saudi Arabia and lives in Riyadh with his wife and two daughters. He wants all his assets to be inherited by his wife and daughters. He comes to Singapore and seeks your financial advice. What will you recommend?</p>	<p>QID: 4767523770</p> <p>Select the best option</p> <p>Set up a trust in Singapore with his wife and daughters as beneficiaries. Execute a will in Saudi Arabia naming his wife and daughters as his heirs. Sell his assets and give the money to his wife. Sell the assets and take citizenship of a country in continental Europe.</p> <p>Explanation: (Chapter 5, Section 5.2) In Singapore, specific trust laws have been enacted that do not recognize forced heirship rules applicable to the settlor's domicile. Therefore, if Akbar sets up a trust in Singapore with his wife and daughters as beneficiaries, he can ensure that they inherit his assets. Executing a will in Saudi Arabia may not help him avoid forced heirship laws of the country. Some countries in continental Europe also have forced heirship laws. Based on the laws, a person has no freedom to choose his own beneficiaries as the law of the country mandates specific rules for the transfer of assets to the successors.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements about various tools of wealth planning is CORRECT?</p>	<p>QID: 4767521006</p> <p>Select the best option</p> <p>Foundations are effective for tax planning if the owner is the beneficiary Trusts are effective for tax planning if the owner is not a beneficiary and the trust is irrevocable Both trusts and foundations are ineffective in avoiding inheritance tax A limited liability company structure is not effective for asset protection</p> <p>Explanation: (Chapter 5.7) Foundations are effective for tax planning if the owner is NOT a beneficiary. Trusts and foundations are effective in avoiding inheritance tax. A limited liability structure is effective for asset protection (except in specific situations such as a fraud).</p>

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<p>CACS1 (Ch.5)</p> <p>QID: 4767520904</p> <p>Which of the following is a qualitative test to determine the tax residence of a person?</p>	<p>Select the best option</p> <p>Number of days spent in the country The proportion of his total income received from a country A person's intention to return to the country whenever he is away on trips The proportion of the total taxes paid by him in a country</p> <p>Explanation: (Chapter 5.2) Number of days spent in a country is a quantitative test. Proportion of income received from a country and proportion of total taxes paid by the person in a country are not qualitative tests.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767520901</p> <p>If a person has 4 residences, maximum how many domiciles can he have?</p>	<p>Select the best option</p> <p>4 1 3 2</p> <p>Explanation: (Chapter 5.2) A person can have only one domicile.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767521112</p> <p>Which of the following statements about a trust is INCORRECT?</p>	<p>Select the best option</p> <p>It is a contract It is a legal relationship created inter-vivos It is an arrangement The settlor transfers legal title of his assets to the trustee during his lifetime</p> <p>Explanation: (Chapter 5.4) A trust is not a contract.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767520990</p> <p>A founder can reserve for himself certain founder's rights. The rights include:</p>	<p>Select the best option</p> <p>Investments Appointment and removal of the council Appointment and removal of beneficiaries All of the above</p> <p>Explanation: (Chapter 5.5) Rights which can be reserved by the founder for himself include investment rights, the right to appoint and remove the council, and the right to appoint and remove the beneficiaries.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767521029</p> <p>Which of the following is not a characteristic of a variable universal life policy?</p>	<p>Select the best option</p> <p>Volatile policy value Fixed death benefits Transparency over costs and charges It requires more routine monitoring of performance</p> <p>Explanation: (Chapter 5.8) In variable universal life policy, there is flexibility over death benefits.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767520892</p> <p>Which of the following is/are personal risk(s) faced by HNWIs in preserving, protecting or transferring their wealth's efficiently?</p>	<p>Select the best option</p> <p>Extortion Nationalization Forced Heirship laws All of the above</p> <p>Explanation: (Chapter 5.2) Nationalization is a sovereign risk and a forced heirship law is not a personal risk.</p>

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<p>CACS1 (Ch.5)</p> <p>Cost of insurance are:</p>	<p>QID: 4767521012</p> <p>Select all options that apply</p> <p>Charges deducted from the policy. Related to risk, and certain factors of an individual's characteristics affect the level of risk. Affected by smoker status of the individual. Higher if the income of the policy owner is higher.</p> <p>Explanation: (Chapter 5.8) Cost of insurance is related to risk and is not related to the income of the policy owner.</p>
<p>CACS1 (Ch.5)</p> <p>Compared to Trust, what are the benefits of foundations?</p>	<p>QID: 4767528550</p> <p>Select all options that apply</p> <p>The founder may exercise extensive control over the assets Beneficiaries need not be named The Founder may name as many beneficiaries as he wants Foundation is a more effective vehicle for tax purposes</p> <p>Explanation: The beneficiaries need not be named in a foundation. Even in a trust, the trustee can name as many beneficiaries as he wants. Due to a lack of familiarity or recognition of a foundation, tax authorities may view a foundation as either a company or a trust for tax purposes. Therefore, foundations may not always be effective for tax savings.</p>
<p>CACS1 (Ch.5)</p> <p>John wants to create a trust in Singapore to ensure that his wife and children inherit his wealth in a fair manner. He does not want to specify the manner of distribution of his assets now. He wants his wife Jane to be the trustee but wants someone to oversee her conduct after his death. This is because Jane is not well-versed with legal and financial matters. John should:</p>	<p>QID: 4767523772</p> <p>Select the best option</p> <p>Create a discretionary trust and appoint a protector to oversee Jane's conduct. Create a reserved power trust and appoint an investment manager. Create a fixed trust and hold the assets in an Asset Holding Company (AHC). Write a letter of wishes that states his desires for the trustee to exercise the latter's powers in a guided manner for the benefit of the beneficiaries</p> <p>Explanation: (Chapter 5, Section 5.4) John wants that someone should oversee Jane's conduct after his death. Therefore, a letter of wishes cannot help John, especially because it is not legally binding on the trustee. John can appoint a protector who can oversee and control Jane's conduct after his death. Further, John wants his wealth to be distributed based on the wishes of the trustee. So he must create a discretionary trust. Appointing an investment manager (a subordinate of the trustee) or creating an AHC (a legal entity) will not help John achieve his objectives.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements are TRUE about tax residency?</p>	<p>QID: 4767520884</p> <p>Select all options that apply</p> <p>Tax residence is the same as residency in the context of immigration. Tax residence is not the same as a person's residency in immigration context. Quantitative measures are considered while determining tax residence. Qualitative measures are considered while determining tax residence.</p> <p>Explanation: (Chapter 5.2) Tax residence is NOT the same as residency in the context of immigration.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following powers CANNOT be reserved by the founder of a foundation for himself?</p>	<p>QID: 4767520999</p> <p>Select the best option</p> <p>Investments The appointment and removal of the council The appointment and removal of beneficiaries and their entitlements None of the above</p> <p>Explanation: (Chapter 5.5) The powers of investments, appointment/removal of the council/beneficiaries or their entitlements can be reserved by the founder for himself.</p>

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<p>CACS 1 (Ch.5)</p> <p>In which of the following situations can foundations work better than trusts?</p>	<p>QID: 4767521001</p> <p>Select the best option</p> <p>The beneficiaries need not be named and declared explicitly The founder wants to have significant control over assets The founder wants to control the investment decisions All of the above</p> <p>Explanation: (Chapter 5.5) A foundation can work better than a trust where the beneficiaries need not be named and declared explicitly, the founder wants to have significant control over assets and the founder wants to control the investment decisions.</p>
<p>CACS 1 (Ch.5)</p> <p>John owns a commercial building in Singapore valued at S\$55M. He also has debts and liabilities from his various businesses valued at S\$4M.</p> <p>When deciding whether to set up a trust to hold the commercial building to protect from creditors, John should consider the following factors:</p>	<p>QID: 4767528577</p> <p>Select all options that apply</p> <p>Appointment of a loyal trustee who can administer the trust assets. Whether the trust should be a fixed or discretionary trust. The structure of the trust. Whether the building should be held directly by the Trust or via an asset holding company.</p> <p>Explanation: Since John's objective is to protect the commercial building from creditors, it is vital that he structures the trust properly. For example, the trust must be irrevocable to afford asset protection. Therefore, it is vital that he finds a reliable trustee who can manage the assets in the absence of John. Also, John may consider whether he wants the trust to own the building directly or indirectly, through an asset holding company. The choice between fixed and discretionary trust will impact the rights of the beneficiaries, and is less relevant for protection of assets from claims by CREDITORS.</p>
<p>CACS 1 (Ch.5)</p> <p>Which of the following statements about foundations are TRUE</p>	<p>QID: 4767520988</p> <p>Select all options that apply</p> <p>Foundations are usually established with patrimony provided by the founder. Patrimony is the charter containing the rules and byelaws of the foundation. Any asset transferred to the foundation belongs to it legally and ceases to be that of the founder. Any asset transferred to the foundation beneficially remains with the founder.</p> <p>Explanation: (Chapter 5.5) A foundation is usually established with statutorily-mandated CAPITAL known as patrimony provided by the founder. Any asset transferred to the foundation belongs to it legally and ceases to be that of the founder.</p>
<p>CACS 1 (Ch.5)</p> <p>A Private Placement Life Insurance policy:</p>	<p>QID: 4767521039</p> <p>Select the best option</p> <p>Provides control and flexibility over the underlying investments Offers transparency over costs and charges May lapse if there is inadequate value to meet the charges All of the above</p> <p>Explanation: (Chapter 5.8) A PPLI provides control and flexibility over the underlying investments, offers transparency over costs and charges, and may lapse if there is inadequate value to meet the charges.</p>
<p>CACS 1 (Ch.5)</p> <p>Which of the following statements in relation to transfer of assets to beneficiaries through wills is INCORRECT?</p>	<p>QID: 4767520933</p> <p>Select the best option</p> <p>There are filing obligations known as a probate in the courts Assets can only pass when the executor dies Transfer of assets through wills does not provide any tax planning advantage Transfer of assets through wills does not provide asset protection</p> <p>Explanation: (Chapter 5.3) Assets can only pass when the TESTATOR dies.</p>

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<p>CACS1 (Ch.5)</p> <p>QID: 4767525757</p> <p>John is a co-founder with minority stake in a company which his mentor Mark founded. Mark passed away suddenly leaving behind his wife and son. His shares landed in his wife's possession. In view of the risks John faces now, which of the following are useful in mitigating them?</p>	<p>Select all options that apply</p> <p><input type="checkbox"/> Buy-Sell Agreement Sign a contract stipulating that if any partner were to pass away, the other partner can buy the deceased's shares</p> <p><input type="checkbox"/> Discuss to buy Jane's shares based on the valuation method</p> <p><input type="checkbox"/> Discuss the valuation method</p> <p>Explanation: (Chapter 5.8.3.3) To prevent the original ownership circle from being broken, ABC will work. Discussing the valuation method is important as that forms the basis to arrive at how much a share is worth.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767528578</p> <p>John owns a commercial building in Singapore valued at S\$55M. He also has debts and liabilities from his various businesses valued at S\$44M.</p> <p>Which of the following is a valid reason why you would advise John against the use of a trust?</p>	<p>Select the best option</p> <p><input type="checkbox"/> John anticipates that his beneficiaries will squander his asset when he passes away.</p> <p><input type="checkbox"/> John has concerns over the tax treatment of his assets during his lifetime.</p> <p><input type="checkbox"/> John intends for his assets to be applied towards charitable purposes after his lifetime.</p> <p><input type="checkbox"/> John is not comfortable handing over ownership of his assets to a third party.</p> <p>Explanation: John can structure the asset in such a manner that the beneficiaries do not squander the assets easily. Also, if the assets are transferred to the trust, the trustee will legally own them. Therefore, John need not worry about the tax treatment of his assets during his lifetime. Also, he can create a charitable trust if philanthropy is his objective. However, John should not set up a trust if he is not comfortable handing over the ownership of the assets to a third party (trustee). This is especially true because John will have to set up an irrevocable trust to achieve his objective of asset protection.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767520932</p> <p>In Singapore, _____ is usually appointed to vest and distribute the assets mentioned in the will.</p>	<p>Select the best option</p> <p><input type="checkbox"/> a testator</p> <p><input type="checkbox"/> a court official</p> <p><input type="checkbox"/> an executor</p> <p><input type="checkbox"/> a high-level government official</p> <p>Explanation: (Chapter 5.3) In Singapore, an executor is usually appointed to vest and distribute the assets mentioned in the will.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767520944</p> <p>Which of the following statements about civil law jurisdictions is/are CORRECT?</p>	<p>Select the best option</p> <p><input type="checkbox"/> Civil law jurisdictions rely on written and codified laws</p> <p><input type="checkbox"/> Civil law systems originated in England</p> <p><input type="checkbox"/> In such jurisdictions, judicial precedent is given more weight and scholarly literature is given less weight</p> <p><input type="checkbox"/> All of the above</p> <p>Explanation: (Chapter 5.3) Civil law systems trace their history to Roman law and the Napoleonic Code. In such systems, scholarly literature is given more weight.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767520898</p> <p>The first thing to be considered for tax-compliant structuring of a holistic wealth management solution is _____.</p>	<p>Select the best option</p> <p><input type="checkbox"/> the client's expected income</p> <p><input type="checkbox"/> the client's domicile</p> <p><input type="checkbox"/> the nature of client's business interests</p> <p><input type="checkbox"/> the client's expected retirement age</p> <p>Explanation: (Chapter 5.2) The client's domicile is the first thing to be considered for tax-compliant structuring.</p>

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<p>CACS1 (Ch.5)</p> <p>Which of the following benefits can be obtained by a settlor through an appropriately structured trust?</p>	<p>QID: 4767520985</p> <p>Select all options that apply</p> <p>Privacy and security from threats. If the settlor gets disabled, his wealth is handled in accordance with his wishes. Upon death, his wealth continues to be managed in privacy. After death, his assets pass to charity or beneficiaries without delay, and without costs of probate, estate duty and forced heirship rules.</p> <p>Explanation: (Chapter 5.4) The settlor can get all the given benefits through an appropriately structured trust.</p>
<p>CACS1 (Ch.5)</p> <p>In Singapore, an "Accredited Investor" would be defined as:</p>	<p>QID: 4767528554</p> <p>Select the best option</p> <p>An individual with net personal assets of S\$3 million, inclusive of his primary residence worth S\$2.5 million. A trustee of a trust comprising net assets of S\$12 million. A partnership where each of the 3 partners has net personal assets of S\$1.5 million. A company with net assets of S\$6 million as determined by its most recent audited balance sheet.</p> <p>Explanation: The definition of accredited investor (AI) includes individuals with Net Personal Assets (NPA) of more than S\$2 million, but net equity of primary residence capped at S\$1million of the \$2 million threshold. Therefore, option A is incorrect because the individual will have S\$1.5 million worth of NPA if the value of the primary residence is capped at S\$1 million. The AI definition includes trustees of trusts with property in excess of \$10 million. For partnerships, each partner must be an AI (NPA>S\$2 million). A company can be considered an AI, inter-alia, if its net assets exceed S\$10 million.</p>
<p>CACS1 (Ch.5)</p> <p>John is a 56 years old wealthy businessman in Singapore. He has a diversified portfolio of private limited businesses which he is actively involved in as the founder, chairman, and/or managing director. The combined turnover of his businesses is \$1 billion. John has 3 children who are studying in colleges. John and his wife Jane (57 years), who is a significant shareholder in many of John's businesses, want to ensure a smooth transfer of their businesses, financial assets (cash, time deposits, shares, bonds, etc.) and real assets (real estate, physical gold, etc.) to their children. They want to avoid any inheritance tax or capital gains tax when the assets are transferred to the beneficiaries. They want the flexibility to change the distributions to the beneficiaries if the situation so warrants. Moreover, they do not want other shareholders, family members or the media to know the names of the beneficiaries. They also want to remain actively involved in running the businesses. Which of the following methods of wealth transfer will you recommend to John and Jane?</p>	<p>QID: 4767526232</p> <p>Select the best option</p> <p>John should set up a foundation in Singapore to ensure a smooth transfer of the assets to the beneficiaries. Furthermore, beneficiaries of a foundation need not be named. John should set up a family trust with a reputed investment bank as the trustee, and appoint his wife Jane as the protector. John and Jane can execute wills to ensure smooth transfer of wealth to their children after they die. They should set up a suitably structured discretionary private trust company where he and Jane are executive directors.</p> <p>Explanation: (Chapter 5) Singapore does not recognise foundations. A family trust with an investment bank as the trustee will not allow the couple to play an active role in the management of their businesses. A Will is not a tax-efficient method to transfer wealth. Moreover, the probate process makes the names of the beneficiaries public. By setting up a private trust company, John and Jane can continue to run the businesses, avoid taxes during wealth transfer, maintain confidentiality, and retain the flexibility to change the quantum/manner of distributions to the beneficiaries. The private trust company will be set up for the purpose of legally owning and managing John and Jane's properties.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements about different types of insurance policies are CORRECT?</p>	<p>QID: 4767521035</p> <p>Select all options that apply</p> <p>A whole life policy pays a death benefit upon death of the insured and also builds cash values within the policy. Non-participating plans of whole life policies normally have policy values predetermined at the point of issue. A whole life policy does not give the policyholder any flexibility over premiums or death benefits and does not have much appeal for the HNWI. A jumbo term life insurance has more exclusions as compared to a common term life insurance.</p> <p>Explanation: (Chapter 5.8) A jumbo term life insurance has less exclusions as compared to a common term life insurance.</p>

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<p>CACS1 (Ch.5)</p> <p>Several changes have been made to the fiscal and regulatory frameworks since 2007 to facilitate global philanthropic organizations to set up in Singapore. The changes include:</p>	<p>QID: 4767520877</p> <p>Select all options that apply</p> <p>Automatic income tax exemption granted to all registered charities with the requirement to spend at least 80% of their annual income receipts on charitable objects in Singapore within 2 years.</p> <p>Double tax deductions allowed for donations fulfilling certain criteria.</p> <p>Income tax exemption granted to bona-fide NPOs having links with key clusters of the economy.</p> <p>Trusts, foundations and insurance policies can be used as vehicles for charity.</p> <p>Explanation: (Chapter 5.2) Automatic income tax exemption has been granted to all registered charities WITHOUT requiring them to spend at least 80% of their annual income receipts on charitable objects in Singapore within 2 years.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements about investments by a trustee is/are TRUE?</p>	<p>QID: 4767520951</p> <p>Select the best option</p> <p>A trustee can be held liable for breach of trust if he does not invest the trust assets suitably.</p> <p>In Singapore, a trustee can invest only in specified types of assets</p> <p>The investments of a trustee need to consider and review the suitability of the investments in view of the overall circumstances of the settlor</p> <p>All of the above</p> <p>Explanation: (Chapter 5.4) Under Singapore law, a trustee has very wide powers of investment and there is no restriction on the type of investments a trustee may make. Therefore, option B is wrong. Option C is wrong because a trustee needs to consider and review the suitability of investments in light of the overall circumstances of the TRUST (NOT the settlor). A trustee can be held liable for breach of trust if he does not invest the trust assets suitably.</p>
<p>CACS1 (Ch.5)</p> <p>John (62 years) has been diagnosed with cancer. He has a net worth of \$10 million. He does not have any children and his wife died a few years ago. Since he does not know how long he will live, he wants to create a trust in which he does not name any beneficiaries or specific assets. Also, he does not want his relatives or creditors to make claims over his assets. What should John do?</p>	<p>QID: 4767526233</p> <p>Select the best option</p> <p>Create a charitable trust</p> <p>Create a revocable trust in which he is the trustee.</p> <p>Create an irrevocable trust, appoint a friend as the trustee, and appoint any of his trusted family members as the protector.</p> <p>Create a Will Trust with unnamed beneficiaries or properties.</p> <p>Explanation: (Chapter 5) In the case of a charitable trust, the properties and beneficiaries need not be specified or named. In a revocable, irrevocable, or a Will trust (testamentary trust which is irrevocable in nature), the properties and beneficiaries must clearly be specified. Moreover, considering the fact that John does not have any intended beneficiaries, appointing a friend or family member as trustee or protector will not serve his purpose. A revocable trust with John as the trustee will not serve his purpose because of the uncertainty of the progression of illness. In any case, if he does not want to name the beneficiaries, he must create a charitable trust.</p>
<p>CACS1 (Ch.5)</p> <p>John (56 years, net worth of \$8 million) creates an irrevocable living, fixed trust (called JJJ Trust) with his wife (Jane, 50 years) and daughter (Jill, 30 years) as the beneficiaries. In the trust, John includes all the personal assets he legally owns. He also includes shares worth \$2 million which he expects to inherit from his father (Jack, 86 years) based on a duly executed Will. Jack dies one year after the creation of the trust. John inherits the shares based on the Will. However, the Will is subsequently contested in court by John's sibling, Robert. John dies in a car accident one month after Jack. In this context, which of the following statements are TRUE?</p>	<p>QID: 4767526231</p> <p>Select all options that apply</p> <p>Robert's claim is not tenable because the shares are part of JJJ Trust which is irrevocable.</p> <p>The shares are not part of JJJ Trust because John did not add the shares to the trust after he actually inherited them.</p> <p>Jane and Jill may need to contest Robert's claim in court to get hold of the shares.</p> <p>The shares cannot be included in the trust because no property can be included in a trust after it has been created.</p> <p>Explanation: (Chapter 5) Future property (one that the settlor hopes to receive) cannot be included in the trust. The property can become part of the trust after the settlor owns it and it is expressly included thereafter. In this case, the shares were not expressly included in the trust by John after he actually inherited them. Therefore, the shares are not part of the trust, and Jane and Jill may need to contest Robert's claim over the shares, if the court admits his claim for scrutiny. The shares (or any property) can be included in the trust assets after the creation of the trust.</p>

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<p>CACS1 (Ch.5) QID: 4767520934</p> <p>Which of the following statements about wills is CORRECT?</p>	<p>Select the best option</p> <p>Wills provide a person a confidential method of transfer of assets to his beneficiaries A will cannot be revoked after it has been executed The assets of the person making the will are frozen when he is legally incapacitated Wills provide an excellent method for wealth preservation</p> <p>Explanation: (Chapter 5.3) Wills are not effective in protecting client privacy. A will can be revoked after execution (at any time by the testator before his death). Wills do not help in wealth preservation.</p>
<p>CACS1 (Ch.5) QID: 4767520939</p> <p>What advantage(s) can a client gain by holding his assets in a Private Investment Company (PIC)?</p>	<p>Select the best option</p> <p>The assets are not subject to probate There may be some tax benefits because the client only holds shares in the PIC and does not hold the assets directly PICs established in some offshore locations can help the client achieve confidentiality while transferring his assets All of the above</p> <p>Explanation: (Chapter 5.3) Advantages of using a PIC structure include that the assets are not subject to probate, there are some tax benefits, and client confidentiality is supported.</p>
<p>CACS1 (Ch.5) QID: 4767528579</p> <p>Mr. Chen is 70 years old and a very successful businessman. He owns many properties and has companies in different parts of the world. Mr. & Mrs. Chen are married and they have a son and a daughter. Mr. Chen wants to ensure that his wife and daughter are taken care of after he passes on, while cutting off his son completely of his wealth. Mr. Chen also wants to have some part of his wealth donated to charities.</p> <p>What would be a relevant consideration in relation to Mr. Chen's succession planning?</p>	<p>Select the best option</p> <p>He should be sure that the Will represents his final wishes as he cannot change his charitable donation once it is written in his Will. He should consider whether a Will or a Trust would allow him to more effectively preserve the value in his Company and properties. A Will may not be appropriate for Mr. Chen because Singapore's succession law will still require him to leave some wealth to his son. He should consult all the beneficiaries, including his daughter and son to arrive at a joint decision on how to dispose of his assets.</p> <p>Explanation: The setting up of the trust for succession planning will involve transfer of Chen's businesses and assets to the trust. The trustee will own the assets. He can choose to name his wife and daughter as beneficiaries, and also give some money to charitable trusts. If the trustee is capable, the businesses can be managed properly. Moreover, Chen can create a revocable trust to retain control over the assets and businesses, or appoint a protector for the same purpose. However, if he retains control over the assets, the trust assets may remain vulnerable to claims by creditors and claimants (e.g. if his son files a claim). Therefore, it would be better if he creates an irrevocable trust. On the other hand, a Will can help Chen retain more control over his assets and businesses. He can Will his property to his wife and daughter. The succession laws come into play if the asset owner dies intestate. He can change the will from time to time, if he so desires. Therefore, he should weigh both the options (will and trust). Consulting all beneficiaries at this stage may lead to a family dispute, especially when Chen's son comes to know that he will not get any part of the assets.</p>
<p>CACS1 (Ch.5) QID: 4767528376</p> <p>Which of the following describes tools for legitimate wealth transfers and succession?</p>	<p>Select all options that apply</p> <p>Administration of wealth to a recipient or a class of recipients during the lifetime of the beneficial owner of the assets Arrangement for assets to be held by a private investment company (PIC) for tax planning purposes Tax evasion Transfer of legal titles of the assets in a common law jurisdictions where the beneficial owners of the assets become beneficiaries</p> <p>Explanation: Unlike tax planning, tax evasion is a crime. Tax planning or avoidance refers to legitimate actions done for wealth succession, in which taxes and duties relating to the gifts or inheritance succeeded from an older generation are being legally avoided.</p>

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<p>CACS1 (Ch.5)</p> <p>Which of the following statements about a letter of wishes are TRUE?</p>	<p>Select all options that apply</p> <p>States the desires of a settlor for the trustee to exercise the latter's power for the benefit of the beneficiaries.</p> <p>The letter of wishes can be changed at any time by the trustee.</p> <p>The trustee is legally bound to follow the wishes expressed by the settlor in the letter.</p> <p>The letter serves as a guide for the trustee.</p> <p>Explanation: (Chapter 5.4) The letter of wishes can be changed by the SETTLOR. The letter of wishes serves to guide the actions of the trustee but it is not legally binding.</p>
<p>CACS1 (Ch.5)</p> <p>Lim is a successful businessman. He has secured a 30-year loan of \$25m to finance an expansion. His business partner notices that the work stress has affected his health and is concerned on how the business might be affected if any one of them were to pass away prematurely.</p> <p>His business partner's concerns can be addressed with a life insurance policy because:</p>	<p>Select the best option</p> <p>The death benefit payout can be used to buy the shares belonging to the deceased partner</p> <p>The death benefit payout can serve as a medical fund for whoever is still alive</p> <p>The cash value that builds up in the policy can be used as a working capital for future projects</p> <p>The cash value that builds up in the policy can be used to finance the buy-out of one partner's shares</p> <p>Explanation: (Chapter 5.8) The death benefit payout can be used to buy the shares belonging to the deceased partner.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements about effectiveness of tools of wealth planning is/are FALSE?</p>	<p>Select the best option</p> <p>Trusts are effective for tax planning needs if the owner is a beneficiary and the trust is revocable</p> <p>Foundations are effective for tax planning if the owner is a not beneficiary</p> <p>A limited liability company structure shifts the tax burden to the company</p> <p>All of the above</p> <p>Explanation: (Chapter 5.7) Trusts are generally effective in the context of tax planning if the owner is NOT a beneficiary and the trust is IRREVOCABLE.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements about the key features and terms related to Life Insurance is INCORRECT?</p>	<p>Select the best option</p> <p>The policy owner can be a trust or an investment company</p> <p>All instructions to modify, change or operate the policy must be made by the policy owner</p> <p>When the insured is alive, the living benefits of the policy are normally payable to the beneficiaries</p> <p>An irrevocable beneficiary of a policy can only be changed with the consent of the beneficiary</p> <p>Explanation: (Chapter 5.8) When the insured is alive, the living benefits of the policy are normally payable to the policy owner.</p>
<p>CACS1 (Ch.5)</p> <p>Regarding inheritance tax, which of the following statements in relation to effectiveness of tools of wealth planning is TRUE?</p>	<p>Select the best option</p> <p>Wills are effective instruments</p> <p>Trusts and foundations are not effective</p> <p>A limited liability company structure is not effective if the owner is the shareholder and the owner's domicile exempts inheritance tax</p> <p>None of the above</p> <p>Explanation: (Chapter 5.7) Wills are not effective in the context of inheritance tax, while trusts and foundations are effective. A limited liability company structure is effective if the owner is the shareholder and the owner's domicile exempts inheritance tax.</p>

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<p>CACS1 (Ch.5)</p> <p>For appropriate wealth management, it is important to consider the tax position of the client and his family. In this connection, which of the following statements are TRUE?</p>	<p>QID: 4767520882</p> <p>Select all options that apply</p> <p>Domicile determines the inheritance tax and estate tax.</p> <p>Succession is determined by a person's domicile.</p> <p>Domicile is the country where a person has a majority of his business interests.</p> <p>Domicile generally refers to the place where a person is born, or the place which he considers to be his permanent home and where he wants to return to whenever he is away from that place.</p> <p>Explanation: (Chapter 5.2) A person can have a majority of business interests outside his domicile.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements about life insurance is/are TRUE?</p>	<p>QID: 4767521014</p> <p>Select the best option</p> <p>Policies which offer a higher degree of flexibility are more appealing to HNWI clients</p> <p>Policies which offer a higher degree of transparency are more appealing to HNWI clients</p> <p>Policies for HNWIs need to have the capacity for higher sum assureds</p> <p>All of the above</p> <p>Explanation: (Chapter 5.8) Policies which offer a higher degree of flexibility or higher degree of transparency are more appealing to HNWI clients. Policies for HNWIs need to have the capacity for higher sum assureds.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements about civil law jurisdictions is/are TRUE?</p>	<p>QID: 4767520925</p> <p>Select the best option</p> <p>There is reliance on written and codified laws</p> <p>Judges are bound to follow past precedents</p> <p>Civil law system has its origins in England</p> <p>All of the above</p> <p>Explanation: (Chapter 5.3) In civil law jurisdictions, judges are NOT bound to follow past precedents (less weight is given to past precedents). Civil law systems trace their history to Roman law and the Napoleonic Code.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements regarding investment advisor/Manager is TRUE?</p>	<p>QID: 4767520961</p> <p>Select the best option</p> <p>The law prohibits the settlor to take up the role of an investment advisor</p> <p>The settlor can reserve for himself the power to manage the investments of the trust with prior approval of the trustee</p> <p>The beneficiaries can decide whether the trustee or the settlor should act as the investment advisor</p> <p>None of the above</p> <p>Explanation: (Chapter 5.4) The settlor can take up the role of an investment advisor. He can reserve for himself the power to manage the investments of the trust. The beneficiaries have no role in deciding who acts as the investment advisor.</p>
<p>CACS1 (Ch.5)</p> <p>John is a Singaporean billionaire and owns houses and real estate development businesses in Portugal, the UK, Germany and Singapore. He stays with his family in Singapore. However, most of the year he is in the UK to manage his European businesses. In this context, which of the following statements is TRUE?</p>	<p>QID: 4767525701</p> <p>Select all options that apply</p> <p>Singapore is John's domicile.</p> <p>If John gives up the control of his assets, he can achieve confidentiality whereby people will not know who owns the asset.</p> <p>John is most likely a UK tax resident.</p> <p>The income John earns in Europe is taxable in Singapore.</p> <p>Explanation: (Chapter 5.2) Since John's home is Singapore (where he stays), his domicile is Singapore. If he wants to achieve confidentiality, he must give up ownership of the assets (not control). Since John mainly stays in the UK, he is most likely a UK tax resident. The income he earns in Europe is NOT taxable in Singapore as Singapore taxes on a territorial basis.</p>

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<p>CACS1 (Ch.5)</p> <p>Which of the following statements about the use of insurance wrappers for transfer of value to beneficiaries is INCORRECT?</p>	<p>QID: 4767520938</p> <p>Select the best option</p> <p>The method avoids the need for probate in respect of the assets held under the insurance policy</p> <p>The time of payment is fixed if the payment is made to a trust</p> <p>The time of payment is not fixed if the payout is made to a foundation</p> <p>The insurer pays the value of the assets to the stipulated beneficiaries upon the death of the client</p> <p>Explanation: (Chapter 5.3) The time of payment is fixed, UNLESS the payout is made to a trust or foundation.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements about Foundations are TRUE?</p>	<p>QID: 4767520986</p> <p>Select all options that apply</p> <p>A foundation is not a distinct legal entity.</p> <p>A foundation can be set up for beneficiaries.</p> <p>A foundation functions on its charter and byelaws.</p> <p>A foundation does not own the assets, but is a custodian on behalf of the beneficiaries.</p> <p>Explanation: (Chapter 5.5) A foundation is a distinct legal entity. Assets held by a foundation are owned completely by the foundation and beneficiaries do not have any rights to those assets.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements regarding the probate process is FALSE?</p>	<p>QID: 4767520916</p> <p>Select the best option</p> <p>The probate process may take a lot of time</p> <p>Till the probate process is complete, the assets of the deceased person cannot be dealt with</p> <p>A probate process and court documents in relation to a will are public</p> <p>None of the above</p> <p>Explanation: (Chapter 5.3) Probate process may take a lot of time and the assets of the deceased cannot be dealt with till the completion of the probate process. A probate process and court documents in relation to a will are public.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements about the Private Banking Code of Conduct (the Code) is TRUE?</p>	<p>QID: 4767526928</p> <p>Select the best option</p> <p>This Code sets out the level of competency expected of staff in the private banking industry providing financial/wealth advisory services to retail investors.</p> <p>The two main pillars of the Code are efficiency and effectiveness.</p> <p>Any Covered Person who is a CFA charterholder can be exempted from CACS Paper I.</p> <p>Any Covered Person who is a wealth planner representing Covered Entities as at 31 December 2018 need not pass the CACS exams.</p> <p>Explanation: (Private Banking Code of Conduct, Effective 1 Sep 2020) The PBS Code sets out the level of competency expected of staff in the private banking industry providing financial/wealth advisory services to ACCREDITED INVESTORS. The Code comprises two main pillars Competency and Market Conduct. Any Covered Person who is a CFA charterholder can be exempted from CACS Paper 2 (Industry & Product Knowledge).</p>
<p>CACS1 (Ch.5)</p> <p>Having a will ensures:</p>	<p>QID: 4767520935</p> <p>Select the best option</p> <p>A smooth succession by identifying the beneficiaries, provided the will is not contested</p> <p>Sufficient wealth accumulation</p> <p>Proper wealth planning for the future generations</p> <p>All of the above</p> <p>Explanation: (Chapter 5.3) Will does not ensure sufficient wealth accumulation or proper wealth planning for future generations.</p>

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<p>CACS 1 (Ch.5)</p> <p>QID: 4767520915</p> <p>Which of the following statements are FALSE about asset transfer through a will?</p>	<p>Select all options that apply</p> <p>Assets can pass to the beneficiaries before death through the will if the testator expressly expresses this wish in the will.</p> <p>Transferring assets to beneficiaries through a will provides certain tax planning advantages.</p> <p>Transferring assets to beneficiaries through a will provides certain asset protection advantages.</p> <p>A person's assets are frozen when he is legally incapacitated.</p>
<p>CACS 1 (Ch.5)</p> <p>QID: 4767520955</p> <p>Which of the following statements is/are TRUE? The assets of a trust may be held:</p>	<p>Select all options that apply</p> <p>Directly by the settlor.</p> <p>Directly by the trustee.</p> <p>Indirectly by the trustee through an underlying asset holding company wholly owned by the trustee.</p> <p>By a settlor without any legal restrictions on the type of assets.</p>
<p>CACS 1 (Ch.5)</p> <p>QID: 4767520888</p> <p>Which of the following statements is/are FALSE about ownership and control of assets?</p>	<p>Select all options that apply</p> <p>It is possible for a client to control an asset despite not being its legal owner.</p> <p>Technically, ownership and control are the same.</p> <p>Probate avoidance and confidentiality can be achieved by giving up control.</p> <p>From an asset protection perspective, a structure is more effective when the client has more control over the structure.</p>
<p>CACS 1 (Ch.5)</p> <p>QID: 4767520989</p> <p>Which of the following statements about foundations are TRUE?</p>	<p>Select all options that apply</p> <p>A foundation has minimum 7 members.</p> <p>A founder can reserve specific powers for himself.</p> <p>Any asset transferred to the foundation belongs to it legally and ceases to be that of the founder.</p> <p>Any asset transferred to the foundation beneficially remains with the founder.</p>
<p>CACS 1 (Ch.5)</p> <p>QID: 4767520911</p> <p>In the context of wealth transfer and succession planning, if a person wants a structure to be more effective from an asset protection perspective, he must:</p>	<p>Select the best option</p> <p>Increase his control over the structure</p> <p>Decrease his control over the structure</p> <p>Increase the proportion of his ownership by increasing his stake and also increase his control over the structure</p> <p>Decrease the proportion of his ownership, but increase his control over the structure</p>

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<p>CACS 1 (Ch.5)</p> <p>What components make up a trust?</p>	<p>QID: 4767528548</p> <p>Select all options that apply</p> <ul style="list-style-type: none"> <input type="checkbox"/> Letter of Wishes. <input type="checkbox"/> Investment Manager. <input type="checkbox"/> Protector. <input type="checkbox"/> Executor. <p>Explanation: An Executor is usually appointed to vest and distribute the assets in the case of a WILL.</p>
<p>CACS 1 (Ch.5)</p> <p>A variable universal life policy:</p>	<p>QID: 4767521031</p> <p>Select all options that apply</p> <ul style="list-style-type: none"> <input type="checkbox"/> Provides opportunity for greater returns. <input type="checkbox"/> Has large coverage amounts. <input type="checkbox"/> Offers no flexibility over premium payments. <input type="checkbox"/> Offers no flexibility over underlying investments. <p>Explanation: (Chapter 5.8) A variable universal life policy offers flexibility over premium payments and underlying investments.</p>
<p>CACS 1 (Ch.5)</p> <p>Which of the following statements about insurance is/are TRUE?</p>	<p>QID: 4767521008</p> <p>Select the best option</p> <ul style="list-style-type: none"> <input type="checkbox"/> Insurance provides a hedge against predictable risks of financial loss <input type="checkbox"/> Travel insurance is a type of general insurance <input type="checkbox"/> For HNWIs, insurance is useful for wealth accumulation <input type="checkbox"/> All of the above <p>Explanation: (Chapter 5.8) Insurance provides a hedge against UNPREDICTABLE risks of financial loss. For HNWIs, insurance is useful for wealth preservation and wealth transfers.</p>
<p>CACS 1 (Ch.5)</p> <p>Which of the following statements regarding wills is/are TRUE?</p>	<p>QID: 4767520917</p> <p>Select all options that apply</p> <ul style="list-style-type: none"> <input type="checkbox"/> The probate process can be held up if the will is contested. <input type="checkbox"/> Wills can be revoked by the Executor any time before the death of the Testator. <input type="checkbox"/> If the wealth mentioned in a will is used or disposed before death, there may be nothing to distribute after death of the testator. <input type="checkbox"/> A will ensures wealth preservation. <p>Explanation: (Chapter 5.3) A will can be revoked by the TESTATOR any time before his death. A will does not ensure wealth preservation.</p>
<p>CACS 1 (Ch.5)</p> <p>Mr. Chen is 70 years old and a very successful businessman. He owns many properties and has companies in different parts of the world. Mr. & Mrs. Chen are married and they have a son and a daughter. Mr. Chen wants to ensure that his wife and daughter are taken care of after he passes on, while cutting off his son completely of his wealth. Mr. Chen also wants to have some part of his wealth donated to charities.</p> <p>Mr. Chen is concerned about potential dispute over his Will upon his death. Therefore, he would like to set up a Trust instead of writing a Will. What are some of the benefits about setting up a Trust in Singapore?</p>	<p>QID: 4767528581</p> <p>Select all options that apply</p> <ul style="list-style-type: none"> <input type="checkbox"/> Trust can protect Mr. Chen's personal wealth from claims that may arise from his business activities. <input type="checkbox"/> Setting up a trust in Singapore is cheap, hassle-free and cannot be disputed by beneficiaries. <input type="checkbox"/> Upon Mr. Chen's death, his wealth can be managed with privacy and without disruption. <input type="checkbox"/> Mr. and Mrs. Chen have the right to claim Tax rebates from the Trust due to the Rights of Survivorship of Trust arrangements. <p>Explanation: Chen's personal assets can be protected from claimants if they are transferred to an irrevocable trust. Once transferred, Chen will cease to own the assets and will not be able to claim tax rebates. Setting up a trust can afford a level of privacy as compared to a will. For example, the names of the beneficiaries in a will may come into the public during the probate process, especially if someone contests the will. While it's subjective to say whether a trust is cheap and hassle-free or not, a trust can be disputed by beneficiaries, such as whether the settlor lacked mental capacity to do so or was unduly influenced into it, or whether the trust document was vague, unclear, or contained mistakes.</p>

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<p>CACS1 (Ch.5)</p> <p>The features of a Universal Life plan are:</p> <p>4 5 4 7 6 5 2 1 0 7 5 5 F *</p> <p>* * *</p>	<p>QID: 4767521075</p> <p>Select the best option</p> <p>That it is a type of permanent and flexible life insurance that can provide high coverage amounts</p> <p>Death coverage with an option to receive dividends</p> <p>Death coverage with cash value that grows based on the performance of selected equity funds</p> <p>No death coverage for an attractive return on premiums paid through the performance of the underlying funds</p> <p>Explanation: (Chapter 5.8) Universal life plans have death coverage with cash value that can be accessed through policy loans and withdrawals.</p>
<p>CACS1 (Ch.5)</p> <p>Jane (45 years old) and John (48 years) have a special needs son (Jack, 12 years old). The couple has a combined net worth of \$10 million, including several properties. They are still enjoying life now but are worried for Jack if and when both of them have passed away. The couple approaches you for financial advice. They want the best possible mechanism based on their peculiar circumstances. Which ONE of the following options will you recommend?</p> <p>4 5 4 7 6 5 2 1 0 7 5 5 F *</p>	<p>QID: 4767526230</p> <p>Select the best option</p> <p>Create two Will Trusts where the trustees are licensed trust management companies. Jane or John (whoever is not the settlor) and Jack should be the beneficiaries.</p> <p>Create two discretionary trusts with Jane or John (whoever is not the settlor) and Jack as the beneficiaries. A relative should be appointed as the trustee in both trusts.</p> <p>Create two revocable fixed trusts with Jane and John as the settlors and the trustees, Jane or John (whoever is not the settlor) and Jack as the beneficiaries, and a friend as the protector in both trusts. The settlor should create a letter of wishes to ensure that the protector acts in the interest of Jack.</p> <p>Create two inter-vivos family trusts where a licensed trust management company is the trustee, a trusted friend as the protector, and Jane or John (whoever is not the settlor) and Jack are the beneficiaries.</p> <p>Explanation: (Chapter 5) A trust that is created as instructed in a will is also known as a testamentary trust. A Will Trust (testamentary trust) is irrevocable and particularly suitable for situations where there are vulnerable beneficiaries. During their lifetime, Jane and John, by suitably structured Will Trusts, can ensure that they enjoy their assets. After the settlor passes away, the assets will pass on to the trust which can provide financial and other benefits to take care of Jack's needs and interests. Making a relative as the trustee is not advisable because Jack is vulnerable. Jane or John should not take on the role of the trustee because the intention is to pass on the wealth to Jack after they pass away. Further, the letter of wishes is a guide for the trustee (not the protector) and it is not legally binding on the trustee.</p>
<p>CACS1 (Ch.5)</p> <p>In countries having Forced Heirship laws, which of the following statements are TRUE?</p> <p>4 5 4 7 6 5 2 0 8 7 8 5 F *</p>	<p>QID: 4767520878</p> <p>Select all options that apply</p> <p>Clients have no freedom to choose their own beneficiaries.</p> <p>There are specific rules for transfer to the successors.</p> <p>Forced Heirship regimes are found mainly in continental Europe.</p> <p>Some countries of Islamic traditions have prescribed heirs, and their share in the estate of the deceased are specified in the law.</p> <p>Explanation: (Chapter 5.2) In such jurisdictions, clients have no freedom to choose their beneficiaries and there are specific rules for transfer to the successors. Such regimes are mainly located in continental Europe. Some countries of Islamic traditions have prescribed heirs, and their share in the estate of the deceased are specified in the law.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements regarding a trustee is/are TRUE?</p> <p>4 5 4 7 6 5 2 0 9 5 0 5 F *</p>	<p>QID: 4767520950</p> <p>Select all options that apply</p> <p>He must avoid conflicts of interest.</p> <p>There should be no self dealing on part of the trustee.</p> <p>He can get a commission on purchase of insurance policy for the trust assets if a majority of the beneficiaries assent.</p> <p>Higher standard of care and skill is expected from a professional trustee.</p> <p>Explanation: (Chapter 5.4) A trustee can get a commission on purchase of insurance policy for the trust assets (or any other benefit) if ALL the beneficiaries assent OR this has been authorized by the terms of the trust.</p>

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<p>CACS 1 (Ch.5)</p> <p>Regarding a discretionary trust, which of the following statements is/are TRUE:</p>	<p>QID: 4767520954</p> <p>Select all options that apply</p> <p>The beneficiary has no interest in the trust assets.</p> <p>The beneficiary can only hope that the trustee will exercise his powers in beneficiary's favour.</p> <p>The discretionary trust is relatively less flexible compared to a fixed trust.</p> <p>A discretionary trust is more effective for asset protection.</p> <p>Explanation: (Chapter 5.4) The discretionary trust is relatively MORE flexible compared to a fixed trust.</p>
<p>CACS 1 (Ch.5)</p> <p>Which of the following statements about the Private Investment Company (PIC) method of transfer of assets by clients is/are CORRECT?</p>	<p>QID: 4767520941</p> <p>Select the best option</p> <p>The method helps to totally address the issue of succession</p> <p>The method helps achieve excellent tax planning</p> <p>The method does not totally address the probate avoidance issue</p> <p>All of the above</p> <p>Explanation: (Chapter 5.3) The PIC structure does not totally address the issue of succession, and tax planning benefits are also limited.</p>
<p>CACS 1 (Ch.5)</p> <p>HNWIs may face obstacles in preserving, protecting or transferring their wealth efficiently due to different circumstances. Which of the following is/are examples of such circumstances?</p>	<p>QID: 4767520875</p> <p>Select all options that apply</p> <p>Family business owned by a patriarch with many children.</p> <p>Divorce.</p> <p>Excessive wealth.</p> <p>Probate or administration.</p> <p>Explanation: (Chapter 5.2) Excessive wealth is not an obstacle.</p>
<p>CACS 1 (Ch.5)</p> <p>John is 65 years old and owns several businesses. John's wife Jane died a few years ago. John wants to retire in a couple of years and he wants to divide his assets and businesses among his two children Jack and Jones. Jack and Jones are directors in many of John's companies. Jack and Jones are not on good terms. They argue at the board meetings and fight in personal life. John has tried to patch up the siblings but has not succeeded. He wants to keep the option of giving all his assets to a charitable trust if his sons are unable to work together for the benefit of his businesses. John approaches you for advice on how to distribute his assets among his children. What advice will you give John?</p>	<p>QID: 4767526923</p> <p>Select the best option</p> <p>John should write a will with clear division of the assets and businesses among his children immediately after his death.</p> <p>John should set up a discretionary living trust with a professional trust company as the trustee.</p> <p>John should set up a fixed testamentary trust with a professional trust company as the trustee.</p> <p>John should keep some money for himself, divide the businesses and the balance assets amongst his children while he is alive, and then retire.</p> <p>Explanation: (Chapter 5.4) Based on John's objectives, he should set up a discretionary trust, with a professional trust company as the trustee. This is because he should be prepared for future quarrels in the family and the trustee should have the discretion to change the beneficiaries based on how the situation develops. A will cannot be changed after John's death. Therefore, a will cannot grant him the flexibility to change beneficiaries. Moreover, the probate process may not go smoothly if his sons get into a dispute about the division of the assets. A fixed trust will also require a clear and permanent division of the assets after John's death. If he distributes the assets right away, he cannot achieve his goal of retiring in a couple of years with an assurance that his businesses will be well-managed after his death.</p>
<p>CACS 1 (Ch.5)</p> <p>HNWIs need to carry out wealth planning for several objectives. Which of the following is/are included in such objectives?</p>	<p>QID: 4767520890</p> <p>Select the best option</p> <p>To pass on wealth smoothly to their dependents</p> <p>To pass on wealth to the next generation efficiently</p> <p>To leave a legacy for philanthropic causes</p> <p>All of the above</p> <p>Explanation: (Chapter 5.2) Wealth planning is carried out for all the mentioned objectives, i.e. passing on wealth smoothly and efficiently, and to leave a legacy for philanthropic causes.</p>

CACS PAPER1 CHAS

<p>CACS1 (Ch.5)</p> <p>In the context of a trust, a settlor:</p>	<p>QID: 4767520947</p> <p>Select all options that apply</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Transfers the legal title of his assets to the trustee during his lifetime. <input checked="" type="checkbox"/> Has an active role to play in respect of these assets even after the transfer. <input checked="" type="checkbox"/> Can hold the trustee accountable for his actions as a beneficiary if he is also a beneficiary. <input checked="" type="checkbox"/> Cannot act as an investment advisor or manager of the trust. <p>Explanation: (Chapter 5.4) A settlor does not usually have an active role in respect of the assets after their transfer. A settlor can act as an investment advisor or manager of the trust.</p>
<p>CACS1 (Ch.5)</p> <p>Your client, John, is a businessman. Which of the following could be reasons for you to advise John AGAINST the use of a Trust?</p>	<p>QID: 4767525761</p> <p>Select all options that apply</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> He may have to reveal the names of the beneficiaries <input checked="" type="checkbox"/> The trust structure will not help in tax planning if the trust is revocable. <input checked="" type="checkbox"/> Inheritance tax cannot be avoided in a trust structure. <input checked="" type="checkbox"/> Vulnerable Beneficiaries cannot be protected in the trust structure. <p>Explanation: (Chapter 5.4.4 and 5.7) The trust structure is generally effective from tax efficiency standpoint only if The owner is not a beneficiary and trust is IRREVOCABLE. Also, the names of the beneficiaries must be disclosed. So, these two facts can be reasons to advise against the use of the trust structure. Inheritance tax CAN be avoided in the tax structure because the trustee is the legal owner of the assets. Vulnerable Beneficiaries CAN be protected in the trust structure. Therefore, the other two options are not correct.</p>
<p>CACS1 (Ch.5)</p> <p>John is a co-founder with minority stake in a company which his mentor Mark founded. Mark passed away suddenly leaving behind his wife and son. His shares landed in his wife's possession. What are John's risks?</p>	<p>QID: 4767525756</p> <p>Select all options that apply</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Jane selling her shares to outsiders. <input checked="" type="checkbox"/> Jane passing the control of the company to her son. <input checked="" type="checkbox"/> Jane selling the company without John's consent. <input checked="" type="checkbox"/> Financing the operating cash flow of the business. <p>Explanation: (Chapter 5.8.3.3) Selling of shares (by a majority shareholder) or sale of the company without consent entails breaking the original ownership circle. If the control of the company is passed to her son, the ownership still remains in the original ownership circle. In an untimely demise of a key person, it may take time to find a replacement to accomplish the same business results, so there is a risk to finance the operating cash flow during the crisis.</p>
<p>CACS1 (Ch.5)</p> <p>A universal life policy sometimes contains terms to provide comfort to policy holders. Which of the following is NOT one such term?</p>	<p>QID: 4767521019</p> <p>Select the best option</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Ceiling on the highest interest rate declarable <input checked="" type="checkbox"/> Guaranteed maximum charges <input checked="" type="checkbox"/> No Lapse guarantee <input checked="" type="checkbox"/> None of the above <p>Explanation: (Chapter 5.8) There are guarantees to the lowest minimum interest rate that can be declared on the policy. There is no ceiling on the highest interest rate declarable.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements about trusts is INCORRECT?</p>	<p>QID: 4767520981</p> <p>Select the best option</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> A Letter of Wishes is legally binding on the trustee <input checked="" type="checkbox"/> In the case of reserved powers trusts, the power of the trustee to manage the trust investments may be excluded <input checked="" type="checkbox"/> A Letter of Wishes can be amended at any time by the settlor <input checked="" type="checkbox"/> None of the above <p>Explanation: (Chapter 5.4) A letter of wishes is not legally binding on the trustee, it only serves as a guidance.</p>

CACS PAPER1 CHAS

<p>CACS1 (Ch.5)</p> <p>Which of the following statements about trustees of trusts in Singapore is/are TRUE?</p>	<p>QID: 4767526925</p> <p>Select all options that apply</p> <ul style="list-style-type: none"> <input type="checkbox"/> A person can act as a trustee in a professional capacity. <input checked="" type="checkbox"/> A person cannot act as a trustee in a private capacity. <input type="checkbox"/> The Central Depository (Pte) Limited is exempted from obtaining a licence for acting as a trustee. <input type="checkbox"/> Lawyers are exempted from obtaining a licence for acting as trustees. <p>Explanation: (Chapter 5.4.1) A trustee can be an individual or a company. It is possible to act as trustee in a private capacity or in a professional capacity. In certain jurisdictions, the trust business is a regulated activity and professional trustees are subject to licensing, unless specifically exempted. Exempted persons include banks, lawyers and the CDP.</p>
<p>CACS1 (Ch.5)</p> <p>Holding assets under a private investment company has which of the following advantages?</p>	<p>QID: 4767520920</p> <p>Select all options that apply</p> <ul style="list-style-type: none"> <input type="checkbox"/> The assets are not subject to probate. <input type="checkbox"/> The company exists until wound up, and such winding up and the death of the shareholders are separate events. <input type="checkbox"/> There are tax benefits because the assets of the client are the shares which he owns in the company. <input type="checkbox"/> There is greater degree of confidentiality for the clients in some offshore jurisdictions. <p>Explanation: (Chapter 5.3) The PIC structure provides all the above mentioned advantages.</p>
<p>CACS1 (Ch.5)</p> <p>In case an operating business is held as an asset in a trust:</p>	<p>QID: 4767520956</p> <p>Select all options that apply</p> <ul style="list-style-type: none"> <input type="checkbox"/> A trustee needs to be familiar with the business so that he can manage it properly. <input type="checkbox"/> A trustee needs to be familiar with the operating business only if he is a professional trustee. <input type="checkbox"/> Failure to manage an operating business properly can make a trustee liable to breach of trust for failing to preserve the value of the trust asset. <input type="checkbox"/> A trustee can be held liable for poor management of an operating business only if the business files for bankruptcy. <p>Explanation: (Chapter 5.4) In the case of an operating business, a trustee needs to be familiar with the business in question so that it can manage it properly and prudently, otherwise it could potentially be in breach of trust for failing to preserve the value of the trust assets. A trustee can be held liable for poor management even otherwise (not only in the case of bankruptcy).</p>
<p>CACS1 (Ch.5)</p> <p>John is a multi-millionaire businessman in Singapore, with net personal assets in excess of \$10 million. He has been running a tourism-related business under the sole-proprietorship structure for many years. However, his businesses are failing and the debt burden is mounting. John intends to file for bankruptcy within a few months. He has not declared his intentions to his firm's managers. His friend tells him that he can avoid creditor's claims by setting up a trust. In this context, which of the following statements are TRUE?</p>	<p>QID: 4767526235</p> <p>Select all options that apply</p> <ul style="list-style-type: none"> <input type="checkbox"/> John should set up an irrevocable living trust to avoid claims by creditors next year. <input type="checkbox"/> John cannot avoid claims by creditors by setting up a trust if he files for bankruptcy within 5 years. <input type="checkbox"/> John should set up a revocable trust to avoid claims by creditors. <input type="checkbox"/> John can avoid the claims of creditors if he gifts his personal assets to his wife and children immediately so that he ceases to own those assets. However, it is possible for a court to rule this as illegal asset transfer. <p>Explanation: (Chapter 5) While setting up an irrevocable trust can help the settlor to avoid claims by creditors in the event of insolvency or bankruptcy, the protection is available only if the trust was set up 5 years before the bankruptcy/insolvency and no fraud was involved. This law prevents the trust structure from being misused to avoid genuine claims from creditors. The assets under a revocable trust are not protected from claims by creditors in the event of insolvency. The settlor retains de-facto control of the trust/assets and the court can require that the claimants be paid from the trust assets (because the settlor can use his powers to sell assets to pay off the creditors). He can gift the assets to his wife and children, although this may not be a tax efficient method, and a court may rule this as illegal asset transfer.</p>

CACS PAPER1 CHAS

CACS1 (Ch.5) QID: 4767526227

Jane (56 years), a Singapore citizen, is your client. She is UHWN1, owning several high value properties. The net rental income alone is \$1 million per year. Jane is married to John (54 years) and the couple has 2 daughters (30 and 34 years). John does not work and lives a lavish life off his wife's income. Jane secretly plans to file for a divorce in a few years, and she does not want John to get a share of her assets. She wants her children to inherit all her assets, mainly the properties. Which of the following options will you recommend to Jane?

4 5 4
5 F *

Select the best option

Set up a discretionary living trust in which the trust deed is vague and mentions 'family members' as beneficiaries of 'a substantial portion of her real estate properties.' The trustee should be a professional trust management company.

Set up a revocable trust, name John and the children as beneficiaries of specific properties, and ensure that the trustee can change the name of the beneficiaries any time in the future.

Set up an irrevocable fixed trust with the two daughters as beneficiaries of specific properties and other financial assets. Keep the process of setting up the trust confidential so that John does not know about it till the trust is set up.

Set up a trust through a will where the trust comes into being only after Jane's death. Name the children as beneficiaries of specific properties in the trust.

Explanation: (Chapter 5) A discretionary trust (irrevocable) MUST specify the beneficiaries clearly and MUST specify the properties (with addresses) that are owned by the trust. Else, the discretionary trust will not be considered as validly constituted. Setting up a revocable trust with John as a beneficiary may not suit Jane's requirements, especially because she wants to file for divorce. Setting up a trust by will means that the trust (a testamentary trust) will come into being only after Jane's death. Therefore, if Jane files for divorce, her assets will remain vulnerable to settlement claims. Setting up an irrevocable fixed trust with Jane's daughters as beneficiaries will ensure that the assets are transferred to the children the way Jane wants. The irrevocable trust may also help Jane avoid any divorce settlement claims being paid out of the trust assets (if the assets have been in the trust for 5 years at that time).

CACS1 (Ch.5) QID: 4767520937

If a client uses an insurance wrapper to transfer value to his beneficiaries, his assets are first transferred _____.

4 5 4 <0937
5 F *

Select the best option

to the beneficiaries
to the insurer
to a court
to a trust

Explanation: (Chapter 5.3) If a client uses an insurance wrapper to transfer value to his beneficiaries, his assets are first transferred to the insurer.

CACS1 (Ch.5) QID: 4767528375

David is appointed as the trustee for a friend's family trust. However, he is unfamiliar and inexperienced with trusts structures. He relies on instructions from the protector and settlor.

If David could manage the investments he received from the settlor under advice from a professional investment counsellor in Singapore engaged by the settlor and protector. Would he be protected from being sued by beneficiaries for breach of fiduciary duties?

4 5 4 <0937
5 F *

Select the best option

No, as the beneficiaries are entitled to ignore the advice of the settlor as he no longer owns the assets
No, as he was in a conflict of interest with the settlor and protector
Yes, as the trust deed did not specify whether David could seek professional help
Yes, as he would therefore be exercising his power of investment

Explanation: Exercising reasonable care and skill may require the trustee to obtain and consider proper investment advice. Advice from a professional investment counsellor is proper investment advice.

CACS1 (Ch.5) QID: 4767521037

Which of the following statements about various types of life insurance policies is INCORRECT?

4 5 4 <0937
5 F *

Select all options that apply

Variable universal life policy has its policy values allocated into other investments such as bond portfolios.
Policy values of a variable universal life policies are less volatile as compared to the traditional universal life policies.
Private Placement Life Insurance (PPLI) is an investment wrapped inside an insurance policy.
PPLI can help HNWIs to evade capital gains and income taxes.

Explanation: (Chapter 5.8) Because the policy values are invested, the policy values fluctuate and are more volatile as compared to the traditional universal life policies. Tax evasion is illegal! It helps HNWIs mitigate against those gains, not evade.

CACS PAPER1 CHAS

<p>CACS1 (Ch.5)</p> <p>Reasons for not preferring the trust structure include:</p>	<p>QID: 4767520972</p> <p>Select all options that apply</p> <ul style="list-style-type: none"> Perception that trusts are not cost effective. A preference to not reveal potential beneficiaries in any document. Desire to retain ownership of the assets. Dislike for the complexities of the trust deed. <p>Explanation: (Chapter 5.4) Perception that trusts are not cost effective, a preference to not reveal potential beneficiaries in any document, the desire to retain ownership of the assets, and a dislike for the complexities of the trust deed are reasons for not preferring the trust structure.</p>
<p>CACS1 (Ch.5)</p> <p>What feature does Universal Life Insurance have that term life Insurance doesn't?</p>	<p>QID: 4767528553</p> <p>Select the best option</p> <ul style="list-style-type: none"> No cash or maturity values when the insurance policy expired. Paying for only the duration when the insurance cover is needed. Different pricing tiers to differentiate and provide savings for healthier clients. Investment component where the policy value grows according to a declared interest rate. <p>Explanation: Universal life insurance is a type of permanent and flexible life insurance that can provide high coverage amounts. Unlike term, universal life insurance has an investment component where the policy values grow according to a declared interest rate. Term insurance has no maturity value, but one can pay only for the duration when the cover is needed. Healthier clients are charged lower premiums in term insurance because such insurance provides cover for death only.</p>
<p>CACS1 (Ch.5)</p> <p>Raj, a divorced Indian citizen, wants to set up an irrevocable discretionary trust in S'pore with his 2 adult children as the beneficiaries. He intends to transfer to the trust his portfolio of S'pore assets (\$2m in shares and \$3m property) and appoint a S'pore bank as the only trustee.</p> <p>Raj had a Will drawn previously whereby he willed all his S'pore assets to his S'porean brother Muthu. If Raj were to die after the trust has been established, can Muthu claim the S'pore assets as the sole beneficiary under the Will?</p>	<p>QID: 4767521093</p> <p>Select the best option</p> <ul style="list-style-type: none"> No, because Raj no longer owned those assets No, unless the Will was drawn up after the trust was created Yes, because the Will was drawn up before the trust was created Yes, because Muthu has a S'porean identity and presence <p>Explanation: (Chapter 5.4) Raj does not own the assets. Therefore, Muthu cannot claim the assets.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements about life insurance policies is INCORRECT?</p>	<p>QID: 4767521036</p> <p>Select the best option</p> <ul style="list-style-type: none"> There are no guarantees to the lowest minimum interest rate that can be declared on a universal life policy Universal life insurance has an investment component where the policy values grow based on a declared interest rate A universal life insurance policy can lapse if there is insufficient value to pay for the charges Jumbo term life insurance usually has different pricing tiers so as to provide savings to healthier clients <p>Explanation: (Chapter 5.8) The lowest minimum interest rate that can be declared on a universal life policy is usually guaranteed.</p>
<p>CACS1 (Ch.5)</p> <p>In the context of foundations, which of the following statements is TRUE?</p>	<p>QID: 4767520991</p> <p>Select the best option</p> <ul style="list-style-type: none"> The beneficiaries of a foundation are not the owners or the creditors of the foundation till the assets are distributed Till the assets are distributed, the beneficiaries are not the owners, but are creditors of the foundation Till the assets are distributed, the beneficiaries are the owners and creditors of the foundations There are no beneficiaries in case of a foundation <p>Explanation: (Chapter 5.5) The beneficiaries of a foundation are not the owners or the creditors of the foundation till the assets are distributed.</p>

CACS PAPER1 CHAS

<p>CACS 1 (Ch.5)</p> <p>Which of the following statements about foundations is/are CORRECT?</p>	<p>QID: 4767520997</p> <p>Select the best option</p> <p><input checked="" type="checkbox"/> Assets held by a foundation are owned completely by the foundation and beneficiaries do not have any rights to those assets</p> <p><input type="radio"/> A foundation is not a distinct legal entity</p> <p><input type="radio"/> Singapore law recognises foundations</p> <p><input type="radio"/> All of the above</p> <p>Explanation: (Chapter 5.5) A foundation is a distinct legal entity and Singapore law DOES NOT recognise foundations.</p>
<p>CACS 1 (Ch.5)</p> <p>Which of the following statements about the settlor of a trust are INCORRECT?</p>	<p>QID: 4767520974</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> The settlor transfers the legal title of his assets to the trustee during his lifetime.</p> <p><input checked="" type="checkbox"/> A settlor cannot be a beneficiary of the trust.</p> <p><input type="checkbox"/> A settlor can be appointed as an investment advisor of the trust.</p> <p><input checked="" type="checkbox"/> A settlor cannot be appointed as the manager of the trust.</p> <p>Explanation: (Chapter 5.4) A settlor can be a beneficiary of the trust and he can be appointed as the manager of the trust.</p>
<p>CACS 1 (Ch.5)</p> <p>George works for KLG and is a minority shareholder. KLG was founded and majority owned by Fred who is like a father to George. Most of George's net worth is in KLG. One day, Fred suddenly dies of heart attack, leaving behind his widow and a musician son.</p> <p>What should be done now?</p>	<p>QID: 4767528370</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> George and Fred's widow should take out a life insurance on each other</p> <p><input checked="" type="checkbox"/> Agree the valuation method for KLG</p> <p><input type="checkbox"/> The survivor to put KLG up for sale based on the valuation method</p> <p><input checked="" type="checkbox"/> The survivor to buy the deceased's shares based on the valuation method</p> <p>Explanation: There is no need to put the company up for sale in the first place. They should take a life insurance on each other so that if the other person dies, the surviving party will receive a sum of money to buy the deceased shares from the estate. The valuation method should be agreed upon in advance to prevent dispute. This will allow the surviving shareholder to wholly own the company and be free from risks that arise when a significant shareholder suddenly dies.</p>
<p>CACS 1 (Ch.5)</p> <p>Kevin is the CEO and major shareholder of a company. There are 3 key personnel who are essential to the business. Kevin passed away suddenly, leaving behind his wife and son who did not have an interest in the company. His wife inherits his shares. What are the risks to the business?</p>	<p>QID: 4767526948</p> <p>Select all options that apply</p> <p><input type="checkbox"/> Kevin's son might take over the business.</p> <p><input type="checkbox"/> The actions of the minority shareholders.</p> <p><input checked="" type="checkbox"/> Retaining key personnel.</p> <p><input checked="" type="checkbox"/> Kevin's wife might sell the majority shares.</p> <p>Explanation: (Chapter 5.8.3.3) Selling of shares (by a majority shareholder) or sale of the company without consent entails breaking the original ownership circle. If the control of the company is passed to her son, the ownership still remains in the original ownership circle. In an untimely demise of a key person, it may take time to find a replacement to accomplish the same business results, so there is a risk to finance the operating cash flow during the crisis.</p>
<p>CACS 1 (Ch.5)</p> <p>What are the disadvantages of utilizing a WILL as a means for wealth transfer and succession planning?</p>	<p>QID: 4767528547</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> The probate process can be held up if there are disputes among the potential beneficiaries.</p> <p><input type="checkbox"/> A will is irrevocable and the testator cannot amend the will without a court order.</p> <p><input checked="" type="checkbox"/> The court documents including a deceased's schedule of assets, in an application for grant of probate, are public documents,</p> <p><input checked="" type="checkbox"/> A will can be revoked any time before death.</p> <p>Explanation: A will can be revoked any time before death by the testator. There is no need for any court order for revoking the will.</p>

CACS PAPER1 CHAS

<p>CACS1 (Ch.5)</p> <p>QID: 4767520881</p> <p>Which of the following statements about wealth transfer and succession is/are TRUE?</p>	<p>Select all options that apply</p> <p><input checked="" type="checkbox"/> Different types of assets have different transfer costs and procedures.</p> <p><input checked="" type="checkbox"/> Different types of assets require different levels of expertise and have different risks.</p> <p><input checked="" type="checkbox"/> Forced Heirship regimes are found mainly in continental Europe.</p> <p><input checked="" type="checkbox"/> Some countries of Islamic traditions have prescribed heirs, and their shares in the estate of the deceased are specified in the law.</p> <p>Explanation: (Chapter 5.2) Different types of assets have different transfer costs and procedures and different levels of required expertise and risks. Forced heirship regimes are mainly located in continental Europe. Some countries of Islamic traditions have prescribed heirs, and their share in the estate of the deceased are specified in the law.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767528576</p> <p>John owns a commercial building in Singapore valued at S\$55M. He also has debts and liabilities from his various businesses valued at S\$44M.</p> <p>To ensure that his building does not need to be sold in order to repay his business debts upon his demise, what measures can John take?</p>	<p>Select all options that apply</p> <p><input checked="" type="checkbox"/> Purchase a jumbo term life insurance policy to repay his debts.</p> <p><input type="checkbox"/> Transfer his assets into a foundation of which he is the sole beneficiary.</p> <p><input checked="" type="checkbox"/> Ring-fence certain assets in his will such that they cannot be seized by creditors.</p> <p><input checked="" type="checkbox"/> Set up an irrevocable trust and transfer his personal assets into the trust.</p> <p>Explanation: The death payout from a jumbo term insurance can be used to repay the business debts. Transferring of asset into a foundation with himself being the sole beneficiary is doubtful to be effective in asset protection. A will cannot help ring-fence the personal assets as the assets will remain the personal property of John till his death. Transfer of personal assets into an irrevocable trust will help avoid claims by creditors. Note that such protection will be available if the assets have been in the trust for at least 5 years.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767526234</p> <p>John (60 years) is a wealthy businessman from Europe, with businesses in numerous countries around the world. His net worth is in excess of \$200 million. For smooth wealth transfer, John has set up a revocable, fixed inter-vivos family trust (called JJ Trust) in Singapore. The trustee is ABC Limited and John's wife Jane (54 years) and two sons (24 and 26 years) are the beneficiaries. Relations between John and his wife sour over money matters and Jane files for divorce. The couple get divorced and the court asks John to pay \$20 million to Jane as settlement. John does not want Jane to get any part of his assets. In this context, which of the following statements is TRUE?</p>	<p>Select the best option</p> <p><input type="radio"/> Jane does not have any claim over the assets in JJ trust. Therefore, John need not worry if the court orders the settlement to be paid from the trust's assets.</p> <p><input type="radio"/> John should dissolve the trust and transfer all the assets to his sons by way of gift. Then, Jane will cease to have any claim over the assets.</p> <p><input type="radio"/> Jane will remain the beneficiary of the trust because of the court order.</p> <p><input checked="" type="checkbox"/> If Jane were not the beneficiary of the trust, she could be paid the settlement amount from the assets in JJ Trust.</p> <p>Explanation: (Chapter 5) The trust set up by John is revocable. Therefore, John can alter the trust deed or even dissolve the trust. The court will consider John to have de-facto control over the assets transferred to the trust. Consequently, the assets are NOT protected from creditors and other claimants (e.g., an ex-spouse). The court can direct John to sell the assets and honour the settlement. Further, ABC Limited cannot change beneficiaries because JJ Trust is a fixed trust. Jane will remain the beneficiary because of the nature of the trust, NOT because of the court order. To summarize, from the perspective of the settlement, it does not matter whether Jane is a beneficiary or not. Had John set up an irrevocable trust, the court normally would not have been in a position to order the settlement payment from the trust. John cannot avoid the settlement payment by dissolving the trust after the court order. This is because upon dissolution, the assets will revert back to him and Jane's settlement can be paid from the assets.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767520960</p> <p>Investment advisors are appointed in a trust for which of the following reasons?</p>	<p>Select the best option</p> <p><input type="radio"/> To absolve the trustee of his responsibility of duty of care in respect of the investment of trust assets</p> <p><input checked="" type="checkbox"/> The trustees usually do not have the expertise in the investment arena</p> <p><input type="radio"/> Both A and B</p> <p><input type="radio"/> None of the above</p> <p>Explanation: (Chapter 5.4) Delegation of investment-related tasks to an investment advisor does not absolve the trustee of his responsibility of duty of care in respect of the investments.</p>

CACS PAPER1 CHA5

<p>CACS1 (Ch.5)</p> <p>David is appointed as the trustee for a friend's family trust. However, he is unfamiliar and inexperienced with trusts structures. He relies on instructions from the protector and settlor. Can David be held liable for breach of fiduciary duties as the trustee?</p>	<p>QID: 4767528373</p> <p>Select the best option</p> <p><input type="radio"/> Yes, as he has a fiduciary duty to the settlor and beneficiaries</p> <p><input checked="" type="checkbox"/> Yes, as he has to adopt the same standard of care and skill as an ordinary prudent man of business would take in managing his own business</p> <p><input type="radio"/> No, as the protector may direct someone to take over David</p> <p><input type="radio"/> No, as the settlor is his friend whose assets were used to set up the trust</p> <p>Explanation : It depends on the type of trust whether the trustee has a fiduciary duty to the settlor or beneficiaries, or both. For example, in a revocable trust while the settlor is still alive, the trustee has a fiduciary duty to the settlor and the beneficiaries lack standing to challenge the trustee's actions. However, once the trust becomes irrevocable, the beneficiary may sue for breach of a duty that the non-settlor/trustee owed to the settlor/beneficiary which was breached during the lifetime of the settlor and which adversely affected the beneficiary's interest in the trust.</p>
<p>CACS1 (Ch.5)</p> <p>John is a Singaporean billionaire and owns houses and businesses in Portugal, the UK, Germany and Singapore. He stays with his family in Singapore. However, most of the year, he is in the UK to manage his European businesses. John wants a smooth transfer of his wealth and businesses to his wife, with tax efficiency during his lifetime and minimum tax burden on his wife during and after transfer. He also wants asset protection and minimum risk to his businesses during the transfer. In this context, which of the following statements is TRUE?</p>	<p>QID: 4767525702</p> <p>Select the best option</p> <p><input type="radio"/> John should will the property to his wife.</p> <p><input type="radio"/> He should set up a revocable trust.</p> <p><input checked="" type="checkbox"/> He should set up a foundation where he is NOT a beneficiary.</p> <p><input type="radio"/> He should set up a limited liability company where he is the majority shareholder.</p> <p>Explanation : (Chapter 5.7) A foundation can help John achieve all his wealth succession objectives. It is usually tax efficient if the owner is NOT a beneficiary and helps avoid inheritance tax because the foundation is the legal owner of the assets. A foundation helps mitigate business risk and helps in asset protection. A will cannot help John achieve any of the objectives as John will remain the owner of the assets during his lifetime. A trust structure can be tax efficient if John is not a beneficiary and the trust is IRREVOCABLE. A limited liability company structure can be helpful in avoiding inheritance tax if John is NOT a shareholder.</p>
<p>CACS1 (Ch.5)</p> <p>A will is a legal statement that lists the wishes of the _____.</p>	<p>QID: 4767520928</p> <p>Select the best option</p> <p><input type="radio"/> beneficiaries</p> <p><input type="radio"/> executor</p> <p><input type="radio"/> relevant court</p> <p><input checked="" type="checkbox"/> testator</p> <p>Explanation : (Chapter 5.3) A will is a legal statement that lists the wishes of the testator.</p>
<p>CACS1 (Ch.5)</p> <p>The key factors which motivate people to set up trusts include:</p>	<p>QID: 4767520968</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> Higher returns for the beneficiaries.</p> <p><input checked="" type="checkbox"/> Transfer of ownership for confidentiality.</p> <p><input checked="" type="checkbox"/> The need to hold assets safely.</p> <p><input checked="" type="checkbox"/> Stewardship.</p> <p>Explanation : (Chapter 5.4) High returns is not a motivation for setting up trusts.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following is/are key features of a trust?</p>	<p>QID: 4767521058</p> <p>Select the best option</p> <p><input checked="" type="checkbox"/> The assets are no longer owned by the settlor</p> <p><input type="radio"/> The assets become owned by the protector</p> <p><input type="radio"/> Both of the above</p> <p><input type="radio"/> None of the above</p> <p>Explanation : (Chapter 5.4) The settlor transfers legal title of his assets to the trustee during his lifetime.</p>

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<p>CACS1 (Ch.5)</p> <p>Jane wants to set up a trust in Singapore so that her 3 children inherit all her wealth and assets after her death. She wants to specify exactly how her wealth will be distributed among her children. She does not trust her husband Jack because the couple have some financial disputes in the business they jointly own. Jane also wants to reserve the right to invest her wealth as she pleases instead of giving investment powers to the trustee. Jane:</p>	<p>QID: 4767523771</p> <p>Select the best option</p> <p><input type="radio"/> Cannot retain investment powers because she will give up the ownership of the assets after the trust is created.</p> <p><input type="radio"/> Cannot specify how the assets will be distributed because she will not own the assets after the trust is created.</p> <p><input checked="" type="checkbox"/> Should create a fixed trust and appoint a person she trusts as the trustee.</p> <p><input type="radio"/> Must create a discretionary trust if she wants to retain any control over the assets after the trust is created.</p> <p>Explanation: (Chapter 5, Section 5.4) Jane can create a fixed trust if she wants to specify how her wealth and assets will be distributed after her death. She can reserve investment powers for herself by creating a reserved power trust.</p>
<p>CACS1 (Ch.5)</p> <p>Mr Tan is a new client of yours. He is turning 73 years old. Which of the following would you recommend to him?</p>	<p>QID: 4767528413</p> <p>Select the best option</p> <p><input type="radio"/> ETFs</p> <p><input type="radio"/> Equities</p> <p><input type="radio"/> Retirement planning</p> <p><input checked="" type="checkbox"/> Estate planning</p> <p>Explanation: ETFs and equities require a long investment horizon. A 73-year-old man should already be retired and has about 10 years of life expectancy left. He needs estate planning the most.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements about tax residency is/are FALSE?</p>	<p>QID: 4767520886</p> <p>Select the best option</p> <p><input type="radio"/> Tax residence determines the person's domicile</p> <p><input type="radio"/> Countries such as United States tax on a territorial basis</p> <p><input type="radio"/> Taxation in Singapore is on a worldwide basis</p> <p><input checked="" type="checkbox"/> All of the above</p> <p>Explanation: (Chapter 5.2) Tax residence does not determine domicile, the US taxes on a worldwide basis, and taxation in Singapore is on a territorial basis.</p>
<p>CACS1 (Ch.5)</p> <p>Jane (age 70) intends to obtain a large loan (repayable over 20 years) to invest in her business. She intends to use the company's cash flows to service the loan. However, Jane is worried about the company's ability to repay the loan during her lifetime. To address your concern, what would you advise Jane?</p>	<p>QID: 4767528552</p> <p>Select the best option</p> <p><input checked="" type="checkbox"/> Purchase a Jumbo Term Life Insurance Policy.</p> <p><input type="radio"/> Ring-fence the personal assets from the company's assets.</p> <p><input type="radio"/> Put up the company's securities for the loan.</p> <p><input type="radio"/> Set up a Private Investment Company to generate high returns.</p> <p>Explanation: Jane is worried about the company's inability to repay the loan during her lifetime. Therefore, she can purchase a Jumbo Term Life insurance (with a large sum assured) to ensure that her heirs have the necessary money to repay the loan, if required. Since Jane has set up a company, her personal assets are already separate from the company's assets. Putting up collaterals or setting up a PIC will not help Jane ensure the repayment of the loan.</p>
<p>CACS1 (Ch.5)</p> <p>Compared to a trust, what are the drawbacks of a foundation?</p>	<p>QID: 4767528549</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> Trusts are generally more widely recognized globally than foundations.</p> <p><input checked="" type="checkbox"/> Foundations are less prominent in common law countries as compared to trusts.</p> <p><input type="radio"/> Foundations are more time consuming and expensive to set up than trusts.</p> <p><input type="radio"/> Trusts let a founder exercise more extensive control over the assets than foundations.</p> <p>Explanation: Foundations may work better than trusts in civil law countries where people are more familiar with it and if the founder wishes to exercise extensive control over assets. Also, cost savings are available as foundations are less expensive to set up and administer.</p>

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<p>CACS1 (Ch.5)</p> <p>Domicile of a client refers to:</p>	<p>QID: 4767520899</p> <p>Select the best option</p> <p><input checked="" type="checkbox"/> The place where he is born or the place which he considers to be his permanent home and where he wants to return to whenever he is away from that place</p> <p><input type="radio"/> The place where the client has most of his business interests</p> <p><input type="radio"/> The place where the client has most of his friends</p> <p><input type="radio"/> The country where the client pays the maximum amount of tax</p> <p>Explanation: (Chapter 5.2) Domicile is the place where the client is born or the place which he considers to be his permanent home and where he wants to return to whenever he is away from that place.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following are structures recognised in countries such as the United Kingdom and Malaysia?</p>	<p>QID: 4767528371</p> <p>Select the best option</p> <p><input type="radio"/> The common law investment structure</p> <p><input type="radio"/> Military law investment controlled structure</p> <p><input type="radio"/> The civil law foundation structure</p> <p><input checked="" type="checkbox"/> The common law trust structure</p> <p>Explanation: Trusts and foundations are unique frameworks for transferring wealth and ensuring succession. It's worth noting that trusts originated in common law systems, while foundations have traditionally emerged from civil law jurisdictions.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements about a trustee is TRUE?</p>	<p>QID: 4767520948</p> <p>Select the best option</p> <p><input type="radio"/> A trustee cannot be a company</p> <p><input checked="" type="checkbox"/> In Singapore, the Monetary Authority of Singapore regulates the trust business</p> <p><input type="radio"/> A trustee necessarily acts in a private capacity</p> <p><input type="radio"/> The law governing trusts and trustees is found in the SFA</p> <p>Explanation: (Chapter 5.4) A company can be a trustee of a trust. A trustee does not have to act in a private capacity. A trustee can act in a professional capacity. The law governing trusts and trustees is found in the Trustees Act and the Trust Companies Act respectively.</p>
<p>CACS1 (Ch.5)</p> <p>The beneficiary in a life insurance:</p>	<p>QID: 4767521011</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> Is entitled to receive the death benefits.</p> <p><input type="checkbox"/> Is entitled to receive the living benefits.</p> <p><input checked="" type="checkbox"/> Is revocable if the policy owner can change the beneficiary.</p> <p><input type="checkbox"/> Is irrevocable if the beneficiary cannot be changed by the policy owner under any circumstances.</p> <p>Explanation: (Chapter 5.8) While the insured is still alive, the policy's living benefits are usually payable to the policy owner. An irrevocable beneficiary can only be changed with the consent of the existing beneficiary.</p>
<p>CACS1 (Ch.5)</p> <p>Mr. Chen is 70 years old and a very successful businessman. He owns many properties and has companies in different parts of the world. Mr. & Mrs. Chen are married and they have a son and a daughter. Mr. Chen wants to ensure that his wife and daughter are taken care of after he passes on, while cutting off his son completely of his wealth. Mr. Chen also wants to have some part of his wealth donated to charities.</p> <p>Mr. Chen wants to donate a condominium, held in joint tenancy with his wife, to the Singapore Cancer Society and seeks your advice whether he can do so upon his death. What would you suggest to Mr. Chan?</p>	<p>QID: 4767528580</p> <p>Select the best option</p> <p><input type="radio"/> Mr. Chen can donate the property as Singapore law allows the property to be transferred to third parties with no conflict of interest.</p> <p><input type="radio"/> Mr. Chen can decide on how to dispose of assets in his name as long as his Will clearly states so and is witnessed by a legal party.</p> <p><input type="radio"/> Mr. Chen is not allowed to transfer property to the Charitable organization under any circumstances</p> <p><input checked="" type="checkbox"/> Mr. Chen cannot transfer the property to anyone except his wife because the Rights of Survivorship applies</p> <p>Explanation: Mr. Chen can choose his beneficiaries without any restrictions. However, since the relevant property is owned jointly with his wife, it may not be possible to transfer it to the Singapore Children Society.</p>

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<p>CACS 1 (Ch.5)</p> <p>Which of the following statements about the Common Law system is/are CORRECT?</p>	<p>QID: 4767520943</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> It is a body of principles of law developed by judges.</p> <p><input checked="" type="checkbox"/> It is based on case laws or precedents.</p> <p><input checked="" type="checkbox"/> Judges are bound to follow past precedents of the rulings of similar courts.</p> <p><input checked="" type="checkbox"/> Judges have freedom to interpret certain provisions of a statute.</p> <p>Explanation: (Chapter 5.3) The common law system is a body of principles of law developed by judges and hence based on case law or precedents. Judges must follow relevant past precedents and they have the freedom to interpret the provisions of a statute.</p>
<p>CACS 1 (Ch.5)</p> <p>Jane wants to take a 10-year loan of S\$10 million to scale-up her pharmaceuticals manufacturing business. She expects that the profits from the business will be sufficient to repay the instalments. Jane is a 50% owner of the business with her husband John owning the other half. Jane does not want to overburden her husband John with the loan repayment if she dies before the loan is repaid. Jane:</p>	<p>QID: 4767523774</p> <p>Select the best option</p> <p><input type="radio"/> Should avoid taking the loan because the amount is too high.</p> <p><input checked="" type="checkbox"/> Take a jumbo term life insurance cover for S\$10 million.</p> <p><input type="radio"/> Take a whole life insurance cover.</p> <p><input type="radio"/> Take a universal life insurance cover.</p> <p>Explanation: (Chapter 5, Section 5.8) A Jumbo term life insurance cover will serve Jane's purpose for the specified period (10 years). A whole life insurance or a universal life insurance cover will not provide the desired cover or flexibility in a cost-effective manner.</p>
<p>CACS 1 (Ch.5)</p> <p>Which of the following statements about whole life policies are TRUE?</p>	<p>QID: 4767521016</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> Participating ones have cash values partly determined by annual bonus or dividends.</p> <p><input checked="" type="checkbox"/> Non-participating ones have policy values predetermined at the time of issue.</p> <p><input checked="" type="checkbox"/> The help to provide short-term coverage against a temporary need for risk management.</p> <p><input checked="" type="checkbox"/> They do not appeal to HNWI clients due to their inflexibility in premiums and death benefits.</p> <p>Explanation: (Chapter 5.8) Participating plans usually have cash values determined partly by an annual bonus or dividend which is declared by the insurance company while non-participating plans do not and usually have policy values that are predetermined at the point of issue. Whole life insurance does not give the policyholder any flexibility overpremiums or death benefits and as such, has little appeal for the HNWI.</p>
<p>CACS 1 (Ch.5)</p> <p>Which of the following statements about insurance wrappers are TRUE?</p>	<p>QID: 4767520919</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> Insurance wrappers is a way to transfer value to beneficiaries.</p> <p><input checked="" type="checkbox"/> Assets are transferred by the client to an insurer who pays the value of those assets to beneficiaries upon demise of the client.</p> <p><input type="radio"/> The time of payment is fixed when the payout is made to a foundation.</p> <p><input checked="" type="checkbox"/> Insurance wrappers help avoid the need for probate in respect of the assets held under the insurance policy.</p> <p>Explanation: (Chapter 5.3) The time of payment is fixed, UNLESS the payout is made to a trust or foundation.</p>
<p>CACS 1 (Ch.5)</p> <p>If one compares a trust and a foundation, which of the following statements is FALSE?</p>	<p>QID: 4767520994</p> <p>Select the best option</p> <p><input type="radio"/> A settlor in a trust is akin to the founder of a foundation</p> <p><input checked="" type="checkbox"/> The trust deed contains the roles of the protector of a trust and the charter contains the roles of the beneficiaries of a council in a foundation</p> <p><input type="radio"/> The settlor establishes the trust, while a founder establishes a foundation</p> <p><input type="radio"/> A settlor appoints the trustees of a trust, while the founder appoints the council of members of a foundation</p> <p>Explanation: (Chapter 5.5) The charter contains the roles of the council of members. The powers of trustees are contained in a Trust Deed.</p>

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<p>CACS1 (Ch.5)</p> <p>Whole life policies:</p>	<p>QID: 4767521015</p> <p>Select the best option</p> <ul style="list-style-type: none"> <input type="radio"/> Are a type of fixed and permanent life insurance <input type="radio"/> Pay death benefit <input type="radio"/> Build cash values within the policy <input checked="" type="checkbox"/> All of the above <p>Explanation: (Chapter 5.8) Whole life policies are a type of fixed and permanent life insurance. They pay death benefit and build cash values within the policy.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements about tax residence is INCORRECT?</p>	<p>QID: 4767520903</p> <p>Select the best option</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Tax residence relates to a person's place of business only <input type="radio"/> Tax residence helps determine the taxes that a person is subject to <input type="radio"/> Tax residence is not always the same as residency in the immigration context <input type="radio"/> None of the above <p>Explanation: (Chapter 5.2) A person's tax residence usually determines the taxes he is subject to and is not always the same as residency in the immigration context. Tax residence does not only relate to a person's place of business.</p>
<p>CACS1 (Ch.5)</p> <p>Ben is an HNWI who executes a will in the presence of his only daughter and son-in-law. His daughter is a beneficiary in the will, but the son-in-law is not. Ben has named two more relatives as beneficiaries in the will. Is the will valid and enforceable?</p>	<p>QID: 4767520931</p> <p>Select the best option</p> <ul style="list-style-type: none"> <input type="radio"/> Yes, because Ben has executed the will in front of two persons <input checked="" type="checkbox"/> No, because beneficiaries cannot be witnesses at the time of the execution of a will <input type="radio"/> No, because all the witnesses must be beneficiaries <input type="radio"/> No, because all the beneficiaries must be witnesses at the time of the execution of the will <p>Explanation: (Chapter 5.3) Beneficiaries cannot be witnesses at the time of the execution of a will.</p>
<p>CACS1 (Ch.5)</p> <p>John (85 years old) creates a trust where his wife Jane is the sole beneficiary. Based on the trust deed provisions, John is the trustee and has the power to manage the trust assets. John does not transfer his assets to the trust. John dies in a car accident while driving under the influence of alcohol. His doctor certifies that John was a bit depressed lately due to various health issues and used to drink a lot. In this context, which of the following statements is TRUE?</p>	<p>QID: 4767526922</p> <p>Select the best option</p> <ul style="list-style-type: none"> <input checked="" type="checkbox"/> Jane will become the owner of the trust's assets based on the trust deed provisions after John's death. <input type="radio"/> The trust was never created because the assets were not transferred to the trust. <input type="radio"/> The assets cannot be transferred to the trust after John's death. <input type="radio"/> John was incapable of creating the trust due to his depression. Therefore, the trust was never really created. <p>Explanation: (Chapter 5.4) A trust is normally created after the assets are transferred to the trustee. However, if the settlor is the trustee who manages the trust assets for the beneficiaries, there is no requirement to transfer the assets. Trusts can be started with a nominal sum. Assets can be transferred subsequently, over time. Being a 'bit depressed' does not make a person mentally incapable of creating a trust. Therefore, the trust was properly constituted and Jane will become the owner of the trust's assets based on the trust deed provisions after John's death.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following is a quantitative test to determine the tax residence of a person?</p>	<p>QID: 4767520905</p> <p>Select the best option</p> <ul style="list-style-type: none"> <input type="radio"/> The amount of income earned by the person in the country in a financial year <input type="radio"/> The amount of tax paid by the person in the country in a financial year <input type="radio"/> The total turnover of the businesses owned by the person in the country <input checked="" type="checkbox"/> The number of days spent by the person in the country <p>Explanation: (Chapter 5.2) The number of days spent by the person in the country is a quantitative test.</p>

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<p>CACS1 (Ch.5)</p> <p>A universal life policy has which of the following characteristics?</p>	<p>QID: 4767521032</p> <p>Select all options that apply</p> <p><input type="checkbox"/> Fixed death benefits. <input checked="" type="checkbox"/> Stable crediting rates. <input checked="" type="checkbox"/> Guaranteed maximum charges. <input type="checkbox"/> Does not require routine monitoring.</p> <p>Explanation: (Chapter 5.8) Universal Life policy offers flexibility over death benefits and requires routine monitoring.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements about trusts in Singapore is/are TRUE?</p>	<p>QID: 4767526924</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> If the trust deed states that a "majority of the settlor's assets are transferred to the trustee", without specifying the assets, the trust will not be considered as validly constituted. <input checked="" type="checkbox"/> In a discretionary trust, the settlor can be a potential beneficiary. <input type="checkbox"/> The beneficiaries of a trust do not hold any title over the trust's assets until the title is actually transferred. <input checked="" type="checkbox"/> A trustee can delegate his or her power to a third party for a maximum period of 12 months.</p> <p>Explanation: (Chapter 5.4) The assets of the trust should be clearly identified, else the trust may not be considered valid. It is not enough to state that a 'majority' of the settlor's assets are part of the trust. In a discretionary trust, if the class of beneficiaries is drafted widely enough, the settlor might even be regarded as a potential beneficiary by the trustee. Once a trust is declared over property, title to the property is split into legal and equitable title. The trustee holds the legal title while the beneficiaries hold the beneficial title. Under section 27 of the Trustee Act, the trustee can delegate his powers to a third party by a power of attorney for a maximum period of 18 months.</p>
<p>CACS1 (Ch.5)</p> <p>A trust must:</p>	<p>QID: 4767525759</p> <p>Select the best option</p> <p><input checked="" type="checkbox"/> have both settlor and trustee. <input type="radio"/> have the beneficiaries specifically named. <input type="radio"/> have protector and investment adviser. <input type="radio"/> hold assets through holding companies.</p> <p>Explanation: (Chapter 5.4) Although you need to name beneficiaries in a trust unlike in a foundation, you need not name them specifically. Beneficiaries can be named as a class e.g. the legal children of X</p>
<p>CACS1 (Ch.5)</p> <p>The advantages of holding assets under a private investment company (PIC) include:</p>	<p>QID: 4767520921</p> <p>Select all options that apply</p> <p><input type="checkbox"/> Comprehensive tax planning advantages. <input checked="" type="checkbox"/> This arrangement fully addresses the issue of succession. <input checked="" type="checkbox"/> The settlor of the trust can be the director, shareholder and bank signatory of the PIC. <input checked="" type="checkbox"/> Information about the directors of the company can be kept confidential if the PIC is in certain offshore regimes.</p> <p>Explanation: (Chapter 5.3) The PIC structure provides limited tax planning and does not fully address the issue of succession.</p>
<p>CACS1 (Ch.5)</p> <p>Regarding civil law jurisdictions, which of the following statements is/are FALSE?</p>	<p>QID: 4767520926</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> A judge has more liberty to independently interpret the text of a statute. <input checked="" type="checkbox"/> Less weight is given to scholarly literature. <input type="checkbox"/> Clients from civil law countries may not be familiar with trusts. <input checked="" type="checkbox"/> It may be difficult to use the trust structure in civil law jurisdictions.</p> <p>Explanation: (Chapter 5.3) In civil law jurisdictions, a judge deciding a given case has less freedom to interpret the text of a statute independently and scholarly literature is given more weight.</p>

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<p>CACS1 (Ch.5)</p> <p>The assets for wealth transfers and succession can be broadly divided into two classes, namely:</p>	<p>QID: 4767520880</p> <p>Select the best option</p> <p><input type="radio"/> Stocks & Bonds <input type="radio"/> Fixed income and Growth <input checked="" type="checkbox"/> Immovable and Movable <input type="radio"/> Government and Private</p> <p>Explanation: (Chapter 5.2) The classification is immovable and movable assets.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following is not one of the objectives for which HNWIs carry out wealth planning?</p>	<p>QID: 4767520874</p> <p>Select the best option</p> <p><input type="radio"/> To pass on wealth efficiently to their loved ones <input checked="" type="checkbox"/> For survival and sustenance <input type="radio"/> For leaving a legacy for charitable causes <input type="radio"/> None of the above</p> <p>Explanation: (Chapter 5.2) Survival and sustenance are not considerations for HNWIs.</p>
<p>CACS1 (Ch.5)</p> <p>A will is a common way to transfer assets upon demise of a person. Which of the following statements about wills are TRUE?</p>	<p>QID: 4767520913</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> Will is a legal statement of wishes of the Testator. <input checked="" type="checkbox"/> The will states who will receive the assets of the testator after he dies. <input checked="" type="checkbox"/> A will is enforceable if executed in accordance with the relevant law. <input checked="" type="checkbox"/> A will is valid even if it is not executed.</p> <p>Explanation: (Chapter 5.3) To be valid, a will must be executed.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements is TRUE about a person's domicile?</p>	<p>QID: 4767520883</p> <p>Select the best option</p> <p><input checked="" type="checkbox"/> A person can have only one domicile <input type="radio"/> A person has as many domiciles as the number of countries where he has residential property registered in his name <input type="radio"/> A person can have maximum 2 domiciles depending upon where his/her spouse is born <input type="radio"/> None of the above</p> <p>Explanation: (Chapter 5.2) A person can have only one domicile.</p>
<p>CACS1 (Ch.5)</p> <p>The domicile of a person can definitely help to determine:</p>	<p>QID: 4767520902</p> <p>Select the best option</p> <p><input checked="" type="checkbox"/> The applicable inheritance tax <input type="radio"/> His disposable income <input type="radio"/> His nationality <input type="radio"/> None of the above</p> <p>Explanation: (Chapter 5.2) Domicile is not dependent on the person's disposable income or nationality.</p>
<p>CACS1 (Ch.5)</p> <p>In the context of wealth transfer and succession planning, how can an HNWI achieve probate avoidance and confidentiality with respect to an asset?</p>	<p>QID: 4767520909</p> <p>Select the best option</p> <p><input type="radio"/> He must give up both ownership and control of the asset <input type="radio"/> He must transfer the asset to the government at government rates <input type="radio"/> He can do so simply by giving up control, though he may retain the ownership of the asset <input checked="" type="checkbox"/> He can do so simply by giving up ownership, though he may retain control of the asset</p> <p>Explanation: (Chapter 5.2) He can achieve probate avoidance and confidentiality by simply giving up ownership, although he may retain control of the asset.</p>

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<p>CACS1 (Ch.5)</p> <p>A trust structure helps protect the settlor from risks associated with exposure to:</p>	<p>Select all options that apply</p> <p><input checked="" type="checkbox"/> Class action damages and private law suits. <input checked="" type="checkbox"/> Bankruptcy. <input checked="" type="checkbox"/> Divorce. <input checked="" type="checkbox"/> Extortion.</p> <p>Explanation: (Chapter 5.4) The trust structure protects the settlor from the mentioned business risk (class action damages and other private law suits) and personal risks (bankruptcy, divorce, extortion).</p>
<p>CACS1 (Ch.5)</p> <p>A variable universal life policy has which of the following features?</p>	<p>Select all options that apply</p> <p><input checked="" type="checkbox"/> The policy values are allocated into other investments. <input checked="" type="checkbox"/> The policy will be in force for as long as there are sufficient policy values to meet the insurance charges. <input checked="" type="checkbox"/> Policy values are more volatile. <input type="checkbox"/> There is no flexibility over coverage amounts.</p> <p>Explanation: (Chapter 5.8) A variable universal life policy allows some flexibility over the premium payments and the coverage amounts.</p>
<p>CACS1 (Ch.5)</p> <p>Some of the ways in which a settlor can exercise control and/or influence over the trust include:</p>	<p>Select all options that apply</p> <p><input checked="" type="checkbox"/> Reserving full investment powers for himself. <input checked="" type="checkbox"/> Through the letter of wishes. <input type="checkbox"/> Through the support of the beneficiaries. <input checked="" type="checkbox"/> Appointment of a protector.</p> <p>Explanation: (Chapter 5.4) A settlor cannot exercise control over the trust or influence the trust with the support of the beneficiaries.</p>
<p>CACS1 (Ch.5)</p> <p>Singapore taxes income on a _____ basis.</p>	<p>Select the best option</p> <p><input type="radio"/> gross <input checked="" type="radio"/> territorial <input type="radio"/> total turnover <input type="radio"/> net liabilities</p> <p>Explanation: (Chapter 5.2) Singapore taxes on a territorial basis.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements about trusts is CORRECT?</p>	<p>Select the best option</p> <p><input type="radio"/> The assets of the trustee are managed in the trust <input type="radio"/> Trust is a company <input type="radio"/> Trust is a legal entity <input checked="" type="radio"/> Trust is not a contract</p> <p>Explanation: (Chapter 5.4) The assets of the SETTLOR are managed in the trust. A trust is NOT a company or a legal entity or a contract.</p>
<p>CACS1 (Ch.5)</p> <p>An accurate reason for a High Net Worth Individual to purchase life insurance is:</p>	<p>Select the best option</p> <p><input type="radio"/> It will prevent family disputes when the individual passes away. <input checked="" type="radio"/> It can provide a guaranteed minimum sum for heirs. <input type="radio"/> It gives greater flexibility to pass assets to a wider pool of beneficiaries. <input type="radio"/> It allows for multiple asset classes to be passed down to the next generation.</p> <p>Explanation: Insurance can provide a guaranteed minimum sum available for heirs. It does not necessarily prevent family disputes. Assets cannot be passed to beneficiaries using LIFE insurance.</p>

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<p>CACS1 (Ch.5)</p> <p>The benefits of a properly structured trust for a settlor include:</p>	<p>QID: 4767520969</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> Enjoyment of assets securely, and in privacy during his lifetime.</p> <p><input checked="" type="checkbox"/> In case of a disability, the wealth can be handled according to his wishes.</p> <p><input checked="" type="checkbox"/> Privacy of management of wealth even after death.</p> <p><input checked="" type="checkbox"/> Passing of the assets to beneficiaries without delay and costs of probate.</p> <p>Explanation: (Chapter 5.4) All the statements are benefits of a properly structured trust for a SETTLOR.</p>
<p>CACS1 (Ch.5)</p> <p>The issues or obstacles faced by HNWIs in preserving, protecting or transferring their wealth efficiently are:</p>	<p>QID: 4767520876</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> Personal risks such as blackmail.</p> <p><input type="checkbox"/> Lack of knowledge about capital markets.</p> <p><input checked="" type="checkbox"/> Sovereign risks such as confiscation.</p> <p><input checked="" type="checkbox"/> Forced heirship laws in some countries.</p> <p>Explanation: (Chapter 5.2) Lack of knowledge about capital markets is not an obstacle for HNWIs.</p>
<p>CACS1 (Ch.5)</p> <p>Disadvantages of a term life insurance policy include:</p>	<p>QID: 4767521027</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> No cash values.</p> <p><input checked="" type="checkbox"/> No maturity values.</p> <p><input checked="" type="checkbox"/> Limited flexibility over coverage amounts.</p> <p><input checked="" type="checkbox"/> Paying for pure protection only.</p> <p>Explanation: (Chapter 5.8) Paying for pure protection only is an ADVANTAGE (Exhibit 5.8.2).</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following is a sovereign risk faced by HNWIs in preserving, protecting or transferring their wealth's efficiently?</p>	<p>QID: 4767520893</p> <p>Select the best option</p> <p><input type="radio"/> Kidnapping</p> <p><input checked="" type="checkbox"/> Forfeiture of assets</p> <p><input type="radio"/> Blackmail</p> <p><input type="radio"/> Robbery</p> <p>Explanation: (Chapter 5.2) Kidnapping, blackmail and robbery are personal risks.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements is/are TRUE? A trust:</p>	<p>QID: 4767520945</p> <p>Select the best option</p> <p><input type="radio"/> Is a contract between key players governed by the trust deed and the law in general</p> <p><input checked="" type="checkbox"/> There is stewardship to administer the assets of a person for one or more beneficiaries</p> <p><input type="radio"/> Both A and B</p> <p><input type="radio"/> None of the above</p> <p>Explanation: (Chapter 5.4) A trust is not a contract.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements about trusts and foundations is INCORRECT?</p>	<p>QID: 4767520942</p> <p>Select the best option</p> <p><input type="radio"/> Trusts and foundations are special structures that can be used for wealth transfers and successions</p> <p><input type="radio"/> Trusts have their origins in common law jurisdictions</p> <p><input type="radio"/> Foundations have their origins in civil law jurisdictions</p> <p><input checked="" type="checkbox"/> None of the above</p> <p>Explanation: (Chapter 5.3) In the context of trusts and foundations, all the given statements are correct.</p>

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<p>CACS1 (Ch.5)</p> <p>A trust is NOT:</p>	<p>QID: 4767520946</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> A legal entity. <input checked="" type="checkbox"/> A contract. <input checked="" type="checkbox"/> A foundation. <input checked="" type="checkbox"/> A company.</p> <p>Explanation: (Chapter 5.4) A trust is not a legal entity, a contract, a foundation or a company.</p>
<p>CACS1 (Ch.5)</p> <p>John is a 60-year old multi-millionaire who wants a smooth transfer of his wealth to his wife and two children. John is based in Singapore and most of his assets are in Singapore. John wants his beneficiaries to pay the minimum possible inheritance tax. He also wants his businesses to be transferred smoothly to his wife after his death. John should:</p>	<p>QID: 4767524490</p> <p>Select the best option</p> <p><input checked="" type="radio"/> set up a trust in Singapore where he is not a beneficiary. <input type="radio"/> set up a foundation in Singapore where he is a beneficiary. <input type="radio"/> will his assets and businesses according to his wishes. <input type="radio"/> use a limited liability company structure for wealth transfer.</p> <p>Explanation: (Chapter 5.7) A trust structure will help John reduce the inheritance tax liabilities of the beneficiaries and ensure a smooth transfer of his businesses to his wife.</p>
<p>CACS1 (Ch.5)</p> <p>Two partners enter into an arrangement and use an insurance policy to ensure that in the event of demise of one partner, the sum assured is used to purchase his shares of partnership by the surviving partner. In this connection, which of the following statements are TRUE?</p>	<p>QID: 4767521024</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> This is an example of a buy-sell agreement form of business insurance. <input checked="" type="checkbox"/> This involves cross purchasing of life policies. <input checked="" type="checkbox"/> This is done to keep the ownership within the original owners. <input checked="" type="checkbox"/> It can even be applied to a firm with 5 partners.</p> <p>Explanation: (Chapter 5.8) This is an example of a buy-sell agreement form of business insurance, this involves cross purchasing of life policies, and this is done to keep the ownership within the original owners. This can even be applied to a firm with 2 or more partners.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements about universal life policies are TRUE?</p>	<p>QID: 4767521018</p> <p>Select all options that apply</p> <p><input type="checkbox"/> They are a type of permanent and fixed life insurance. <input checked="" type="checkbox"/> They can provide higher coverage amounts. <input checked="" type="checkbox"/> They have an investment component where the policy values grow based on a declared interest rate. <input type="checkbox"/> Their charges are not deducted from policy values.</p> <p>Explanation: (Chapter 5.8) Universal life insurance is a type of permanent and FLEXIBLE life insurance. Their charges are taken each month from the policy values to cover the cost of insurance.</p>
<p>CACS1 (Ch.5)</p> <p>John (60 years old) is an HNWI with net personal assets in excess of \$10 million. He owns and operates some restaurants which were doing well before the COVID-19 pandemic. However, the restaurants are now on the verge of bankruptcy due to the economic downturn. John wants his wife and children to receive his personal assets upon his death. He is looking for tax efficiency, confidentiality and protection from creditors. In this context, which one of the following statements is TRUE?</p>	<p>QID: 4767526229</p> <p>Select the best option</p> <p><input type="radio"/> If John sets up a revocable trust, he will be able to achieve all his objectives. <input type="radio"/> If John gifts his assets to his wife and children, he can achieve a high level of tax efficiency. <input type="radio"/> John should set up a Testamentary Trust to ensure confidentiality and protection of his assets from creditors. <input checked="" type="checkbox"/> John should set up an inter-vivos, irrevocable trust to ensure tax efficiency and protection of his assets from creditors.</p> <p>Explanation: (Chapter 5) A revocable trust will not help John avoid claims from creditors (or an ex-spouse) because he (the settlor) will retain some control over the assets transferred to the trust. For example, he may have the power terminate the trust or change its terms. The courts may ask him to wind up the trust and pay the creditors. Inter-vivos gifts are NOT tax efficient. A testamentary trust (a will trust) is set up by a will. The trust effectively comes into being only upon the demise of the settlor. Therefore, till John is alive, his assets will be subject to claims from creditors. An irrevocable inter-vivos (living) trust will help John achieve all his objectives.</p>

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<p>CACS1 (Ch.5)</p> <p>The disadvantages of foundation structure include:</p>	<p>QID: 4767520996</p> <p>Select all options that apply</p> <p><input type="checkbox"/> People in civil law countries are not familiar with it.</p> <p><input checked="" type="checkbox"/> The tax authorities in Common law countries are unfamiliar with foundations.</p> <p><input checked="" type="checkbox"/> When foundations are not recognised, it is less effective for asset protection, especially when the founder has extensive control.</p> <p><input checked="" type="checkbox"/> Foundations are less widely recognized around the world as compared to trusts.</p> <p>Explanation: (Chapter 5.5) People in civil law jurisdictions are more familiar with foundations.</p>
<p>CACS1 (Ch.5)</p> <p>While determining the Tax residence of a person, which of the following factors is/are considered?</p>	<p>QID: 4767520885</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> A person's intention.</p> <p><input checked="" type="checkbox"/> The number of days spent in the country.</p> <p><input type="checkbox"/> Level of income of the person.</p> <p><input checked="" type="checkbox"/> Whether the person is working in the for-profit or not-for-profit sector.</p> <p>Explanation: (Chapter 5.2) Level of income and the nature of business do not determine the tax residence of a person.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the statements given below about policy owners are TRUE?</p>	<p>QID: 4767521009</p> <p>Select all options that apply</p> <p><input type="checkbox"/> A trust cannot be a policy owner.</p> <p><input checked="" type="checkbox"/> A natural person can be a policy owner.</p> <p><input checked="" type="checkbox"/> An investment company cannot be a policy owner.</p> <p><input checked="" type="checkbox"/> Changes to a policy can be made only by the policy owner.</p> <p>Explanation: (Chapter 5.8) A trust or an investment company can be a policy owner.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements about insurance is/are FALSE?</p>	<p>QID: 4767521010</p> <p>Select the best option</p> <p><input checked="" type="checkbox"/> Underwriting is performed on the policy owner to determine his insurability</p> <p><input type="radio"/> Life insurance benefits are paid upon death of the insured</p> <p><input type="radio"/> The policy owner and the insured can be the same</p> <p><input type="radio"/> All of the above</p> <p>Explanation: (Chapter 5.8) Underwriting is performed on the INSURED to determine his insurability.</p>
<p>CACS1 (Ch.5)</p> <p>Holistic wealth management solutions must consider the tax position of:</p>	<p>QID: 4767520897</p> <p>Select the best option</p> <p><input type="radio"/> The client only</p> <p><input type="radio"/> The client and his spouse only</p> <p><input checked="" type="checkbox"/> The client, his family members and client's other heirs</p> <p><input type="radio"/> Only the client's heirs</p> <p>Explanation: (Chapter 5.2) The tax position of the client, his family members and client's other heirs should be considered for holistic wealth management.</p>
<p>CACS1 (Ch.5)</p> <p>Why do HNWIs need insurance?</p>	<p>QID: 4767521040</p> <p>Select all options that apply</p> <p><input type="checkbox"/> For Wealth accumulation.</p> <p><input checked="" type="checkbox"/> For estate equalisation.</p> <p><input checked="" type="checkbox"/> For debt protection.</p> <p><input checked="" type="checkbox"/> For charitable giving.</p> <p>Explanation: (Chapter 5.8) Wealth accumulation is not a reason why HNWIs need insurance.</p>

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<p>CACS1 (Ch.5)</p> <p>QID: 4767520979</p> <p>Trust assets:</p>	<p>Select the best option</p> <p><input type="radio"/> May be held through an asset holding company wholly owned by the settlor</p> <p><input type="radio"/> Cannot include operating businesses under any circumstance</p> <p><input checked="" type="checkbox"/> Must be administered in strict adherence of the terms of the trust</p> <p><input type="radio"/> All of the above</p> <p>Explanation : (Chapter 5.4) Trust assets must be held by the trustee, not the settlor.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767521017</p> <p>Which of the following statements about term life policies is FALSE?</p>	<p>Select the best option</p> <p><input type="radio"/> Term life insurance does not have any cash or maturity value</p> <p><input checked="" type="checkbox"/> Term life insurance usually provides long-term coverage</p> <p><input type="radio"/> Jumbo term life policies have very high death benefits</p> <p><input type="radio"/> Jumbo term life insurance policies have less exclusions compared to other term life insurance policies</p> <p>Explanation : (Chapter 5.8) Term insurance is usually used to provide SHORT-TERM coverage against a temporary need for risk management.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767520977</p> <p>Which of the following statements about trusts in Singapore is/are CORRECT?</p>	<p>Select the best option</p> <p><input type="radio"/> Trust business is regulated by the Monetary Authority of Singapore</p> <p><input type="radio"/> Trustees can invest the assets of a trust in a wide variety of instruments, without any restriction</p> <p><input type="radio"/> A trustee is required to review the suitability of investments based on the overall circumstances of the trust</p> <p><input checked="" type="checkbox"/> All of the above</p> <p>Explanation : (Chapter 5.4) In Singapore, trust businesses are regulated by the MAS and trustees can invest in a range of instruments. A trustee is required to review the suitability of investments based on the overall circumstances of the trust.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767521025</p> <p>Which of the following statements about life insurance in Singapore is/are FALSE?</p>	<p>Select all options that apply</p> <p><input type="checkbox"/> Life insurance companies in Singapore are supervised by the Monetary Authority of Singapore.</p> <p><input checked="" type="checkbox"/> Protection mechanisms under the Insurance Act apply to companies incorporated in Singapore only.</p> <p><input checked="" type="checkbox"/> A life insurance company needs to be incorporated in Singapore to be considered a Singapore registered life insurance company.</p> <p><input type="checkbox"/> Any financial intermediary who operates in Singapore is also supervised by MAS.</p> <p>Explanation : (Chapter 5.8) The scope of MAS's supervision is limited to only Singapore REGISTERED life insurance companies and protection mechanisms within the Insurance Act only apply to them. A life insurance company NEED NOT be incorporated in Singapore to be considered a Singapore registered life insurance company.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767520953</p> <p>Which of the following statements in the context of a trust is FALSE?</p>	<p>Select the best option</p> <p><input type="radio"/> The rights of a beneficiary depend on whether the trust is a fixed trust or a discretionary trust</p> <p><input checked="" type="checkbox"/> In a fixed trust, the trustee sets out the beneficial interests of each beneficiary in definite terms</p> <p><input type="radio"/> In a discretionary trust, the trustee has power to decide which beneficiaries amongst a class so named should receive a distribution</p> <p><input type="radio"/> In a discretionary trust, the trustee can decide the timing and the amount to be distributed</p> <p>Explanation : (Chapter 5.4) In a fixed trust, the SETTLOR sets out the beneficial interests of each beneficiary in definite terms.</p>

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<p>CACS1 (Ch.5)</p> <p>Which of the following statements about Trusts and Foundations is/are TRUE?</p>	<p>Select the best option</p> <p><input checked="" type="checkbox"/> Trusts and Foundations are special structures for wealth transfer and succession <input type="radio"/> Trusts have their origin in civil law <input type="radio"/> Foundations have their origin in common law <input type="radio"/> All of the above</p> <p>Explanation: (Chapter 5.3) Trusts have their origin in common law and foundations have their origin in civil law.</p>
<p>CACS1 (Ch.5)</p> <p>A protector can have enormous power in some jurisdictions. Which of the following is not a power given to a protector?</p>	<p>Select the best option</p> <p><input type="radio"/> Power to remove the trustee <input type="radio"/> Power to exclude beneficiaries <input type="radio"/> Power to change the governing law of the trust <input checked="" type="checkbox"/> Power to remove the settlor</p> <p>Explanation: (Chapter 5.4) A protector cannot remove the settlor. The settlor appoints the protector.</p>
<p>CACS1 (Ch.5)</p> <p>The role of an advisor of a foundation is similar to:</p>	<p>Select the best option</p> <p><input type="radio"/> The trustee of the trust <input type="radio"/> The investment advisor in a trust <input checked="" type="checkbox"/> The protector of a trust <input type="radio"/> None of the above</p> <p>Explanation: (Chapter 5.5) The role of an advisor of a foundation is similar to the protector of a trust.</p>
<p>CACS1 (Ch.5)</p> <p>If a country taxes income on a territorial basis:</p>	<p>Select the best option</p> <p><input type="radio"/> It only taxes income sourced in the country or remitted into the country <input checked="" type="checkbox"/> It only taxes income sourced in the country <input type="radio"/> It only taxes income remitted into the country <input type="radio"/> It taxes income earned by its citizens, irrespective of where it is earned or received</p> <p>Explanation: (Chapter 5.2) Taxing on territorial basis means taxing only the income sourced in the country.</p>
<p>CACS1 (Ch.5)</p> <p>A whole life policy has certain advantages. Which of the following is/are advantages of whole life policies?</p>	<p>Select all options that apply</p> <p><input type="checkbox"/> Transparency over charges and costs. <input type="checkbox"/> Large coverage amounts. <input checked="" type="checkbox"/> Fixed cash values. <input checked="" type="checkbox"/> Fixed death benefit.</p> <p>Explanation: (Chapter 5.8) In whole life insurance, there is a lack of transparency over charges and costs and the coverage amounts are smaller.</p>
<p>CACS1 (Ch.5)</p> <p>In a trust, interest of the _____ must remain paramount.</p>	<p>Select the best option</p> <p><input type="radio"/> trustee <input type="radio"/> settlor <input checked="" type="checkbox"/> beneficiaries <input type="radio"/> protector</p> <p>Explanation: (Chapter 5.4) In a trust, interest of the beneficiaries must remain paramount.</p>

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<p>CACS1 (Ch.5)</p> <p>QID: 4767521042</p> <p>Which of the following is the main objective of a buy-sell agreement type of business insurance between two partners of a business?</p>	<p>Select the best option</p> <p><input type="radio"/> Obtaining the best possible price for the business in the event that it is taken over</p> <p><input type="radio"/> Reducing the tax liability of the business</p> <p><input type="radio"/> Improving the cash inflows</p> <p><input checked="" type="checkbox"/> Retaining the ownership of the business within the partners in the event one of the partners passes away</p> <p>Explanation: (Chapter 5.8) The main objective is retaining the ownership of the business within the partners in the event one of the partners passes away.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767520914</p> <p>Which of the statements regarding wills is FALSE?</p>	<p>Select the best option</p> <p><input checked="" type="checkbox"/> A will must be executed by the Executor in the presence of two or more independent witnesses both present at the same time</p> <p><input type="radio"/> The witnesses and their spouses cannot be beneficiaries</p> <p><input type="radio"/> Usually, the Executor vests and distributes the assets</p> <p><input type="radio"/> There are filing obligations in the courts known as Probate</p> <p>Explanation: (Chapter 5.3) A will must be executed by the TESTATOR in the presence of two or more independent witnesses, both present at the same time</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767521091</p> <p>Raj, a divorced Indian citizen, wants to set up an irrevocable discretionary trust in S'pore with his 2 adult children as the beneficiaries. He intends to transfer to the trust his portfolio of S'pore assets (\$2m in shares and \$3m property) and appoint a S'pore bank as the only trustee. He wants to have a say on how trust assets are to be distributed and invested.</p> <p>Additionally, Raj has a \$40m business venture in M'sia where he is the sole guarantor of a \$20m loan. He wants the trust to be protected against any potential creditor claims. Raj had a Will drawn previously whereby he willed all his S'pore assets to his S'porean brother Muthu.</p> <p>Which country's law would the trust be subjected to?</p>	<p>Select the best option</p> <p><input type="radio"/> Raj's domicile and where the beneficiaries are based at: India</p> <p><input type="radio"/> Singapore, as Raj wants to have power in the investment and distribution of the assets</p> <p><input checked="" type="checkbox"/> Singapore, where the assets are based</p> <p><input type="radio"/> Singapore, where he has a Will drawn up previously</p> <p>Explanation: (Chapter 5.4) The trust will be subject to Singapore law.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767528374</p> <p>David is appointed as the trustee for a friend's family trust. However, he is unfamiliar and inexperienced with trusts structures. He relies on instructions from the protector and settlor.</p> <p>If the beneficiaries sue David, what defence would David use to show that he has acted in an appropriate manner?</p>	<p>Select the best option</p> <p><input type="radio"/> That he was unfamiliar and inexperienced, so he can't be held to such a high standard of care and skill</p> <p><input type="radio"/> That he relied on the advice of another professional who is well versed in the operations of foundations</p> <p><input checked="" type="checkbox"/> That he adopted the same standard of care and skill as an ordinary prudent man of business would take in managing his own similar affairs</p> <p><input type="radio"/> That he followed the precise instructions of the settlor and protector with the beneficiaries' best interests at heart</p> <p>Explanation: A trustee is required to use the same level of care and skill as an ordinary prudent business person would when carrying out their duties and exercising their powers. However, if a trustee presents themselves as a professional and is being paid for their services, a higher standard of care and skill is expected of them compared to a non-professional trustee.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767521026</p> <p>Advantages of a Universal life insurance policy include:</p>	<p>Select all options that apply</p> <p><input type="checkbox"/> Growth in cash values as per an insurer declared rate.</p> <p><input checked="" type="checkbox"/> Flexibility over premium payments.</p> <p><input checked="" type="checkbox"/> Large coverage amounts.</p> <p><input checked="" type="checkbox"/> Transparent costs and charges.</p> <p>Explanation: (Chapter 5.8) Growth in cash values according to a rate declared by the insurer is a DISADVANTAGE (Exhibit 5.8.2), because the rate would be subject to the insurer's discretion. For profit reasons, that rate is usually low and conservative.</p>

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<p>CACS1 (Ch.5)</p> <p>QID: 4767520910</p> <p>Which of the following statements about ownership and control of an asset is INCORRECT?</p>	<p>Select the best option</p> <p><input type="radio"/> If a person legally owns an asset, he may also be able to control its use</p> <p><input type="radio"/> If a person does not legally own an asset, he may still be able to control its use</p> <p><input checked="" type="checkbox"/> From an asset protection perspective, a structure's effectiveness does not depend on the amount of control that the person has over the structure</p> <p><input type="radio"/> None of the above</p> <p>Explanation: (Chapter 5.2) From an asset protection perspective, a structure's effectiveness depends on the amount of control that the person has over the structure.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767520987</p> <p>Which of the following statements about Foundations is/are TRUE?</p>	<p>Select all options that apply</p> <p><input checked="" type="checkbox"/> In the case of a foundation, the asset owner relinquishes ownership of the assets, but retains some influence over its use and the way it is passed on.</p> <p><input checked="" type="checkbox"/> The council of the foundation runs its affairs.</p> <p><input type="checkbox"/> The objectives of the foundation have to be specific in nature.</p> <p><input checked="" type="checkbox"/> Council members have to be individuals.</p> <p>Explanation: (Chapter 5.5) The objectives of a foundation can be general and the council members can be corporations.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767521002</p> <p>Which of the following statements about services providers in relation to trusts and foundations is/are TRUE?</p>	<p>Select the best option</p> <p><input type="radio"/> Banks providing trust services in Singapore are exempted from holding a trust business license.</p> <p><input type="radio"/> Law firms providing trust services in Singapore need not hold a trust business license.</p> <p><input type="radio"/> It is advisable to deal only with a service provider that is licensed to form structures and provide related services.</p> <p><input checked="" type="checkbox"/> All of the above</p> <p>Explanation: (Chapter 5.6) In Singapore, banks and law firms that provide trust services are exempted from holding a trust business license. It is advisable to deal only with a service provider that is licensed to form structures and provide related services.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767521013</p> <p>In the context of insurance, which of the following statements about underwriting is/are TRUE?</p>	<p>Select all options that apply</p> <p><input type="checkbox"/> A process where the insurance company forms a basis to settle the claim of a beneficiary.</p> <p><input checked="" type="checkbox"/> Underwriting mainly takes 2 forms.</p> <p><input checked="" type="checkbox"/> Financial underwriting helps determine if the insured has the financial capacity to purchase the insurance.</p> <p><input checked="" type="checkbox"/> None of the above</p> <p>Explanation: (Chapter 5.8) Underwriting is the process where the insurance company forms a basis to make an offer to the client. Underwriting takes 2 main forms: medical underwriting and financial underwriting. Financial underwriting is the process where the underwriters decide if the insured has the financial capability to purchase insurance.</p>
<p>CACS1 (Ch.5)</p> <p>QID: 4767520949</p> <p>Regarding trustees and trusts, which of the following statements is/are FALSE?:</p>	<p>Select all options that apply</p> <p><input checked="" type="checkbox"/> A trustee holds the asset of the trust for the benefit of the settlor.</p> <p><input type="checkbox"/> A trustee is obligated to act in accordance with the terms of the trust.</p> <p><input checked="" type="checkbox"/> In a trust, the interests of the settlor are paramount as he is the owner of the assets.</p> <p><input checked="" type="checkbox"/> The obligations of a trustee are fiduciary and personal in nature.</p> <p>Explanation: (Chapter 5.4) A trustee holds the asset of the trust for the benefit of the BENEFICIARIES and the interests of the BENEFICIARIES are paramount.</p>

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<p>CACS1 (Ch.5)</p> <p>Which of the following statements about common law and common law system is/are FALSE?</p>	<p>QID: 4767520924</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> Common law originated in Canada. <input checked="" type="checkbox"/> Common law originated in England. <input type="checkbox"/> In common law system, judges are given more freedom to interpret certain statutory provisions. <input checked="" type="checkbox"/> The judge made law does not have the same force as law of statutes.</p> <p>Explanation: (Chapter 5.3) Common law originated in England. Judge-made law has the same force of law as statutes.</p>
<p>CACS1 (Ch.5)</p> <p>The USA taxes income on a _____ basis.</p>	<p>QID: 4767520908</p> <p>Select the best option</p> <p><input type="radio"/> net expenditure <input type="radio"/> territorial <input checked="" type="checkbox"/> worldwide <input type="radio"/> region-wise</p> <p>Explanation: (Chapter 5.2) The USA taxes on a worldwide basis.</p>
<p>CACS1 (Ch.5)</p> <p>A trustee of a trust:</p>	<p>QID: 4767520975</p> <p>Select the best option</p> <p><input type="radio"/> Must be a company <input checked="" type="checkbox"/> May be subject to licensing requirements in some jurisdictions <input type="radio"/> Legally holds trust assets for the benefit of the protector <input type="radio"/> May not be given discretionary powers under any circumstance</p> <p>Explanation: (Chapter 5.4) The trustee need not be a company. The trustee holds the trust assets for the benefit of the beneficiaries. He may be given discretionary powers.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements is/are TRUE in a foundation?</p>	<p>QID: 4767520992</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> The byelaws or regulations govern the operations of the council. <input checked="" type="checkbox"/> A founder can reserve specific powers for himself. <input type="checkbox"/> A founder has less control compared to the settlor of a trust. <input checked="" type="checkbox"/> A founder owns the assets of the foundation.</p> <p>Explanation: (Chapter 5.5) The founder has much more control compared to a settlor of a trust. The founder does not own the assets of the foundation. Assets held by a foundation are owned completely by the foundation.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following is/are the reason(s) why people set up trusts?</p>	<p>QID: 4767520984</p> <p>Select the best option</p> <p><input type="radio"/> Transfer of ownership <input type="radio"/> Custodianship <input type="radio"/> Stewardship <input checked="" type="checkbox"/> All of the above</p> <p>Explanation: (Chapter 5.4) Transfer of ownership, custodianship and stewardship are reasons for setting up trusts.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements about the joint ownership method of transfer of assets upon death is INCORRECT?</p>	<p>QID: 4767520936</p> <p>Select the best option</p> <p><input type="radio"/> The assets are held in a joint account with the right of survivorship <input type="radio"/> It is a common method for assets held in bank accounts <input checked="" type="checkbox"/> It is not a suitable method for real estate assets <input type="radio"/> None of the above</p> <p>Explanation: (Chapter 5.3) The joint ownership structure is useful for real estate assets.</p>

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<p>CACS1 (Ch.5)</p> <p>Which of the following statements about the key features of foundations is CORRECT?</p>	<p>QID: 4767520998</p> <p>Select the best option</p> <p><input type="radio"/> The council members of a foundation can only be natural persons</p> <p><input checked="" type="checkbox"/> A foundation is usually established with statutorily-mandated capital referred to as patrimony provided by the founder</p> <p><input type="radio"/> Ab-initio, the beneficiaries are the creditors of the foundation</p> <p><input type="radio"/> The byelaws or regulations of a foundation are filed at the public registry</p> <p>Explanation: (Chapter 5.5) The council members can be corporations and the beneficiaries are NOT creditors of the foundation. The byelaws or regulations of a foundation are private and are NOT filed at the public registry.</p>
<p>CACS1 (Ch.5)</p> <p>A trustee is required to exercise due care and skill in exercise of his powers of investment. In this context, which of the following statements are TRUE?</p>	<p>QID: 4767520952</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> A trustee may obtain and consider proper investment advice.</p> <p><input checked="" type="checkbox"/> A trust instrument may expressly exclude the duty of care.</p> <p><input checked="" type="checkbox"/> Reserve powers trusts help deal with the complexities and uncertainties of investment.</p> <p><input checked="" type="checkbox"/> In reserved powers trusts, the trustee has special powers related to investing trust assets.</p> <p>Explanation: (Chapter 5.4) In reserved powers trusts, the power of investment is expressly excluded from the available powers of the trustee and reserved for the settlor.</p>
<p>CACS1 (Ch.5)</p> <p>Jane (43 years), a Singapore citizen, owns a diversified portfolio of businesses around the world. She is recently divorced and her ex-spouse John had undertaken not to make any claim for Jane's assets. John is himself a successful businessman with a net worth of \$10 million. Jane wants to create a trust to transfer her wealth to her children Jack (17 years) and Jill (12 years). She wants to appoint (PQR Limited) a licensed trust management company as a trustee. She wants her friend (Julia, 42 years old) as the protector of the trust, with extensive powers to remove the trustee and take investment decisions. In this context, which of the following statements is TRUE?</p>	<p>QID: 4767526228</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> If Jane creates an irrevocable trust, she should not give extensive powers to Julia as the protector.</p> <p><input checked="" type="checkbox"/> If Jane creates an irrevocable trust, and insists on giving extensive powers to Julia as the protector, Jane should remain a beneficiary of the trust.</p> <p><input type="checkbox"/> Jane cannot appoint a friend as the protector in respect of the trust.</p> <p><input type="checkbox"/> Jane should create a discretionary trust without any protector. If required in the future, she can appoint Julia or any other trusted person as the protector by amending the trust deed.</p> <p>Explanation: (Chapter 5) A discretionary trust is irrevocable. Therefore, Jane cannot amend the trust deed after the trust has been created. If she wants to include the process of appointing/removing a protector and the powers of the protector in the trust deed, she must do so at the time of the creation of the trust. If Jane creates an irrevocable trust and names Julia as a protector, she should not give extensive powers to Julia. This is because Jane's children are young and Jane will lose all control over the assets after the creation of the irrevocable trust. If Jane creates an irrevocable trust, and insists on giving extensive powers to Julia as a protector, Jane should remain a beneficiary of the trust. This is because only the beneficiaries can normally remove the protector (the settlor loses ownership and control in an irrevocable trust). Jane can appoint a friend or anyone (above 21 years, of a sound mind) as the protector.</p>
<p>CACS1 (Ch.5)</p> <p>Which of the following statements about the advantages and disadvantages of various life insurance policies are CORRECT?</p>	<p>QID: 4767521038</p> <p>Select all options that apply</p> <p><input checked="" type="checkbox"/> Whole life policies are less transparent about the charges and costs involved.</p> <p><input checked="" type="checkbox"/> Universal life insurance provides flexibility over death benefits and premium payments.</p> <p><input checked="" type="checkbox"/> In a universal life policy, policy values accessed in early years may incur charges.</p> <p><input checked="" type="checkbox"/> Variable universal life insurance may provide an opportunity to earn greater returns.</p> <p>Explanation: (Chapter 5.8) The advantages and disadvantages mentioned are all correct in the context of the relevant policies (Exhibit 5.8.2).</p>

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<p>CACS 1 (Ch.5)</p> <p>QID: 4767521041</p> <p>Which of the following statements about life insurance in Singapore is INCORRECT?</p>	<p>Select the best option</p> <p><input type="radio"/> The scope of supervision by MAS on life insurance companies is limited to Singapore registered ones.</p> <p><input checked="" type="checkbox"/> A life insurance company must be incorporated in Singapore to be considered a Singapore-registered life insurance company.</p> <p><input type="radio"/> Any insurance company that distributes its products in Singapore must be registered.</p> <p><input type="radio"/> None of the above.</p> <p>Explanation: (Chapter 5.8.4) A life insurance company need not be incorporated in Singapore to be considered a Singapore-registered life insurance company.</p>
<p>CACS 1 (Ch.5)</p> <p>QID: 4767524491</p> <p>You are Jane's financial advisor. Jane is an HNWI and wants you to recommend a suitable insurance product for her needs. Jane wants a S\$10 million cover with flexibility over death benefits and premium payments. She also wants some flexibility over underlying investments and wants to be aware of the costs and charges from time to time. You should advise Jane to purchase:"</p>	<p>Select the best option</p> <p><input type="radio"/> a Whole Life cover.</p> <p><input type="radio"/> a Term Life cover.</p> <p><input type="radio"/> "an Universal Life cover.</p> <p><input checked="" type="checkbox"/> a Variable Universal Life cover."</p> <p>Explanation: (Chapter 5.8) A Variable Universal Life cover provides Flexibility over death benefits, premium payments and underlying investments. Such a cover offers large coverage amounts and transparency over costs and charges.</p>
<p>CACS 1 (Ch.5)</p> <p>QID: 4767520889</p> <p>Which of the following is NOT a generic focus area of wealth management?</p>	<p>Select the best option</p> <p><input type="radio"/> Wealth succession</p> <p><input type="radio"/> Wealth preservation</p> <p><input checked="" type="checkbox"/> Wealth multiplication</p> <p><input type="radio"/> Wealth accumulation</p> <p>Explanation: (Chapter 5.2) Wealth multiplication is not a focus area.</p>
<p>CACS 1 (Ch.5)</p> <p>QID: 4767520912</p> <p>Which of the following statements regarding Inter Vivos Gifts is/are correct?</p>	<p>Select the best option</p> <p><input type="radio"/> Giving large Inter Vivos gifts is not always a satisfactory approach because the beneficiaries may not be able to cope with a sudden increase in their fortunes</p> <p><input type="radio"/> Inter Vivos gifts shift the tax burden to the donee immediately</p> <p><input type="radio"/> Inter Vivos gifts may be subject to successive incidence of taxes as the gifts get passed on to future generations</p> <p><input checked="" type="checkbox"/> All of the above</p> <p>Explanation: (Chapter 5.3) In the context of inter-vivos gifts, all the given statements are correct.</p>
<p>CACS 1 (Ch.5)</p> <p>QID: 4767528369</p> <p>George works for KLG and is a minority shareholder. KLG was founded and majority owned by Fred who is like a father to George. Most of George's net worth is in KLG. One day, Fred suddenly dies of heart attack, leaving behind his widow and a musician son.</p> <p>For the good of the company, what should the two shareholders enter into an agreement with?</p>	<p>Select all options that apply</p> <p><input checked="" type="checkbox"/> Shareholder's right/obligation to buy shares from the other party when either party dies</p> <p><input checked="" type="checkbox"/> Matters requiring unanimous shareholders' approval</p> <p><input checked="" type="checkbox"/> Management and operations of the company</p> <p><input type="checkbox"/> Directors' salaries</p> <p>Explanation: The directors' salaries has not been a source of concern for the company.</p>