

What is a Trust?

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In its simplest description, a Trust is a way to own your assets during your life that has many benefits at death. In the more complicated description, a Trust is a legal agreement between the Trustors (persons who write the Trust) and the Trustees (persons who manage the Trust) for the benefit of the Beneficiaries (persons who benefit from the Trust).

In a Trust, you confront the following questions:

1. *Who will be the Beneficiaries of the Trust?* Most often the answer to this question is your children.
2. *At what ages will distributions be made to the Beneficiaries?* Children can legally inherit assets at 18. However, most parents do not want their 18 year old children in charge of assets (especially valuable ones). A Trust allows you to structure their distributions. For example, you can state that the child will receive half of the estate at age 21 and the other half at age 25.
3. *Who will be the contingent Beneficiaries?* In the situation where your Beneficiaries do not outlive you, you also name Contingent Beneficiaries (those who are to take place of your first deceased Beneficiaries).
4. *Who will be the Trustee of the Trust?* Initially, you are the Trustee of your own Trust. That is, you are the one that manages the Trust's assets. If, however, you should ever cease to be Trustee, you name someone who will take your place. This person is responsible for making sure that debts are paid, tax returns are filed, and that the terms of the Trust are followed. The Trustee manages the Trust assets and investments until their ultimate distribution to beneficiaries. In selecting a Trustee, it is important to select someone who is trustworthy, responsible, and relatively organized.
5. Do you want to protect your children from unintentional (or intentional) disinheritance? If you structure your Trust appropriately, you can make sure that your children inherit your estate instead of your estate being bequeathed to another person after you are gone.
6. Do you have an estate large enough to benefit from estate tax savings? If you die with an estate valued over a certain amount, there are estate taxes due. At the moment, this area is in a state of flux, but it is a topic worthwhile mentioning. If your Trust is properly structured, your large estate can benefit from estate tax savings.

Different situations require different types of trusts. If you have any questions about trusts and whether your situation would benefit from one, please contact Shirley White for a free consultation conducted at your home.