



# Trusts: Not Just For The Wealthy

Many people associate trusts with the very wealthy, because they are often used in the media and pop-culture in the context of two other words: “fund” and “baby”. The reality is that a trust is a helpful estate planning instrument for most of your clients, not just the wealthy. Clients with \$250,000 to \$1 million in investable assets should consider a trust to help tackle their estate and financial planning challenges.

Another reason trusts are commonly associated with the very wealthy is because in the past for many families the cost of creating a trust was prohibitive. Additionally many trust companies require a minimum deposit of \$1+ million in order to open a trust. However, at Peak Trust Company, we tailor our services to meet the needs of your clients by allowing them to create a trust with as little as \$250,000. Now your clients can enjoy the benefits that were previously only available to the very wealthy.

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Another misconception about trusts is that they are only used to avoid taxes. Although trusts can be used for tax planning, they are also an effective tool for clients who want more control over how and when their assets are distributed to their beneficiaries. A trust can help in a variety of situations. For instance, people who plan to leave money to their children or grandchildren may not want them to have access to the money until they are mature enough to handle it wisely. We have seen many cases where young adults have poor money habits. Fortunately, a trust can place effective controls on exactly how and when the money is used.

Although an estate plan can use a trust as a tax saving strategy, there are many other objectives that a trust can achieve. Below we have provided a checklist that you can use to identify potential benefits for your clients.

## TRUST SITUATIONAL CHECKLIST

☐ **The client has concerns about family members or beneficiaries that cannot manage their financial affairs.** A corporate trustee dedicates its full attention to fiduciary services. Whereas individual trustees typically do not have the time or expertise required to properly administer a trust.

Think about the time it takes to manage your own finances. Could you take on the administration of a multi-million dollar trust with battling beneficiaries as an unpaid hobby for the foreseeable future? Each of us have other duties and concerns to which we must attend and it can be difficult to prioritize trust matters when it is not your full-time profession.

☐ **The client is on their second (or later) marriage and/or has a blended family.** Families with second marriages and blended families present some additional estate planning challenges due to the various relationships involved. A potential hurdle is figuring out how to divide an estate when each spouse has children from a previous marriage.

For example, in a blended family, the husband may use a trust to make sure that his biological children are the beneficiaries of his life insurance benefits. Without a trust in place, it is possible that his current wife receives the benefits

and when she dies, that money would pass to her biological children, leaving the husband's children with nothing.

❑ **The client is concerned about privacy.** Unlike a Will, which is public information, trusts are confidential. For this reason, people who want to protect their privacy can benefit from a trust. This can be helpful for clients who wish to maintain privacy over how and to whom their assets are distributed.

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❑ **Your client is in a relationship without specific legal status.**

Unmarried couples miss out on the biggest estate tax break there is: the unlimited spousal exemption. The couple might assume that each will leave the other everything. While this is possible, the first to die will pay an estate tax and then the inherited assets will be included in the estate of the second person, who will then have to pay an estate tax on the same assets. Ideally in this situation they should leave property in a trust for the other to avoid paying taxes on the same money twice. Unmarried couples also need to beware of the consequences of unintended gifting during life. Rules about transferring property freely between husband and wife do not apply in this case.

❑ **The client has a disabled child.** A Special Needs Trust (SNT) can be created to ensure that they will be taken care of once your client is gone. The SNT has two main benefits:

1. The beneficiary can enjoy the assets that were intended for their benefit without disqualifying them from important governmental benefits.
2. If the beneficiary lacks the mental capacity to handle financial affairs, the trust can be administered by either a family member and/or by a trustee who can look out for their best interests, giving your clients peace of mind.

❑ **Client is a professional in a high risk occupation.** Assets that are transferred through a trust can be protected from creditors, which may be an attractive feature for people in professions that carry a substantial amount of risk such as business owners, doctors, architects and lawyers.

❑ **The client has a business or holds an interest in such a business.**

Passing the family business intact from one generation to the next is one of today's most challenging estate planning problems. Especially, in situations where your client is trying to give the company over to one child who is active in the business while maintaining proportionate distributions to others who are not. Using a trust, you can help your client keep the family business in the family for years to come.

❑ **Couples Without Children.** Clients without children may be concerned about who will look after their financial interests later in life. By setting up a trust, they can appoint a trust company to serve as a financial fiduciary giving them peace of mind in case they are ever in a position where they cannot manage their own finances.

These are just some of the situations where your clients may benefit from a trust. To discuss a specific client or for help figuring out which trust may be right for your client please feel free to click visit us at:

**[www.peaktrust.com](http://www.peaktrust.com)** or call us at **844-391-2789**.