



## TRUST BASICS

It is important not to lose sight of the non-tax benefits and objectives for management, preservation, and disposition of assets. These goals should always be at the core of the estate planning process. An estate plan can be effectively crafted or modified to meet one's non-tax objectives. Trusts can play a critical role.

It is often useful to review the basic framework of a trust and the objectives that trusts can successfully address. Simply put, a trust is a legal arrangement whereby the creator of the trust contributes assets and gives the trustee power to hold and manage these trust assets for the benefit of the beneficiaries. Trusts can be structured in a great variety of ways to achieve different objectives and flexibly drafted to accommodate personal preferences and particular known or anticipated circumstances. A trustee can also be given the flexibility to adapt to changing circumstances while still abiding by the original intent of the creator of the trust.

Non-tax estate planning objectives that trusts can effectively address include:

- Providing for your own current and future needs
- Providing for your spouse or partner when outright gifts or direct distribution of property is not desirable
- Providing for family members until they are old enough and mature enough to manage their own affairs
- Providing for family members with special needs
- Protecting family members who are financially irresponsible or otherwise vulnerable
- Protecting assets from creditors and other adverse parties
- Preserving family wealth by providing for disposition of assets over an extended period of time
- Creating a charitable legacy
- Ensuring continuity of asset management
- Providing for management and disposition of special assets such as real estate or business interests

A few examples of types of trusts that can help achieve one or more of these non-tax objectives follow:

### Revocable Living Trust

People most often think of creating trusts for the benefit of others, but lifetime trust planning can provide for your own future security and care as you specify. A Revocable Living Trust provides these benefits and it affords you protection from financial and legal problems that may arise from incapacity due to advanced age or disability. While you are willing and able, you can serve as the initial trustee of your trust and retain complete control over the assets. Should you no longer be willing or able to serve as trustee, your named successor trustee will step in to provide continuity of trust administration and asset management for your benefit.

### Trust for a Spouse or Family Member

A trust can be particularly helpful in providing for a spouse or other family member not capable of responsibly managing financial assets or other property. The trustee will provide for the beneficiary's needs in accordance

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*The dynamic environment of trust and estate planning requires rigorous discipline to assure that a client's intentions can be satisfied currently and in the future.*

Cole P. Vastine.

with the terms of the trust, provide professional management of the assets and ensure that the assets are ultimately distributed to the heirs that you specify. Properly structured, a trust can also protect trust assets from a beneficiary's creditors, claims of a divorcing spouse, or other legal complications.

#### **Trust for a Minor Child**

For significant lifetime gifts or bequests to a minor child, a trust is often a better choice than a custodial account. A custodial account generally requires distribution to the child at age 18 or 21, depending on state law. A trust

for the child's benefit can extend beyond age 21 and include provisions that you establish for the appropriate purposes and timing of distributions to the child or for the child's benefit.

#### **Charitable Trust**

While outright charitable gifts can always be made during lifetime or by specific bequest in a will, a charitable trust allows a donor to give generously to charity while receiving the benefit of distributions from the trust. A Charitable Remainder Trust (CRT) is a trust that provides for annual distributions to one or more beneficiaries for a stated time period or for life, and

at the end of the trust term the remaining value is paid to one or more charities chosen by the donor. A Charitable Lead Trust (CLT) is the mirror image of a CRT – the charity or charities get annual distributions for a stated time period or for the life or lives of an individual, and at the end of the trust term the remaining value is paid to beneficiaries chosen by the donor. In addition to providing substantial tax benefits, these types of trusts allow donors to carry out their charitable legacy while retaining some benefit from the gifted assets.

Passing wealth to future generations,  
transferring ownership of a family-owned  
business,  
protecting those unable to manage  
their own affairs,  
realizing the full value of real estate holdings,  
or minimizing income and estate taxes —  
these are some of the concerns of  
wealthy individuals,  
and at no time are the decisions easy.

Pennsylvania Trust  
can make them less onerous by  
personalizing estate and financial planning,  
developing imaginative solutions for complex  
financial affairs, and  
protecting assets from unnecessary taxation.

These are the hallmarks of our service.

Pennsylvania Trust provides investment management and trust administration, tax, estate, and related account services to individuals, families, foundations, and endowments. The company currently has over \$2 billion under management. Founded in 1986, Pennsylvania Trust is independent and employee owned.

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