

TRUSTS

Essential Facts at a Glance

WHAT IS A TRUST?

A trust is a legal arrangement where someone manages property under written rules for another person's benefit.



The creator writes the rules in a trust agreement or declaration of trust.

OUR FAMILY EXAMPLE



Mother - Creator
Sets up the trust and writes its rules.

Mother's sister - Trustee
Manages the trust now, under its rules and the law.

Child - Beneficiary
Receives support allowed by the rules.

Creator is also called grantor, settlor or trustor.

An example, not a plan everyone should copy.

FUNDING A TRUST

Funding brings assets under the trust's rules.



- Signing alone does not transfer every asset. Steps differ by asset.
- Account beneficiary choices need coordination; trust rules do not automatically override them.



Retirement accounts:

Ask an attorney or tax professional about naming beneficiaries. Naming a trust can affect taxes and payouts; it does not transfer account ownership.

KNOW THE LABELS



Living:

Created during the creator's life.



Testamentary:

Created through a will after death.



Revocable:

The creator can generally change or cancel it.



Irrevocable:

Changes and control may be limited. Some changes may still be allowed.

The document and state law matter.

FOLLOWING THE RULES

Trustees act in beneficiaries' interests, follow rules and law, and keep records.

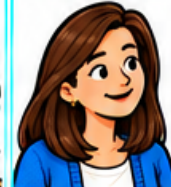


- Payments follow the rules. There is no universal payout age.
- Trust money is not personal spending money.
- Reports follow applicable rules and may go to representatives.

Beneficiaries can be people or organizations; there can be several.

A DIFFERENT ARRANGEMENT

In the video's separate revocable living trust example, the mother creates, manages and benefits during life.



Creator

Trustee

Beneficiary

Her child is named to benefit after her death.



Mother's sister - Successor trustee

Takes over when the plan's conditions are met.

KEEP THESE LIMITS IN MIND



A trust has no single interest rate. Investments can gain or lose value. Property still has costs.



Taxes and debts can remain. Costs paid by the trust leave less available; some costs are paid personally.



Creditors are people owed money. They can generally reach the creator's standard revocable trust assets. Exemptions may apply.

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