

# The Many Uses of Trusts

Trusts are legal arrangements that provide direction for how you want certain assets managed, for the benefit of one or more named individuals or groups, both during your lifetime and at death. Trusts may be used in a number of different circumstances to achieve multiple financial and estate planning objectives.

## Meeting Personal Needs

Donors may wish to establish trusts to help accomplish a variety of *personal* objectives. For instance, they may be seeking professional, financial management to provide relief from the burden of actively managing their own funds. Or, they may feel quite capable of managing their financial affairs currently, but may be unsure about the future. In such cases, “**standby trusts**” may serve a useful purpose.

## Protecting Income and Assets

The laws of most states permit the creation of so-called “**spendthrift trusts**,” which may place both trust income and principal beyond the reach of the beneficiary’s creditors. Donors are generally permitted to make free use of their own assets, even if the outcome results in limitations on the beneficiary’s ability to deal with the trust’s assets at will. This structure may prevent or deter creditors from attempting to reach the trust assets.

Alternatively, an individual may want to launch a new business venture that possesses strong potential, but carries considerable risk. In such circumstances, a trust may be employed to help assure a continuing income stream to a designated beneficiary(ies) in the event of a business failure.

## Meeting the Needs of Others

Trusts are frequently established not so much for the benefit of the donor, but rather for the benefit of *others*, such as a spouse, children, parents, or grandchildren. Trusts may provide beneficiaries with specific types of support designed to make up for perceived insufficiencies in their abilities, experience, or resources.

Trusts may also be created for the benefit of responsible, competent adults for the same reasons people might establish them for themselves, including freedom from management burdens, professional administration, mobility, or cash savings. Privacy concerns, such as avoiding **probate**,

may also be a primary consideration when establishing trusts; and the potential for significant tax savings can be an important motivating factor, as well.

Great care should be taken before establishing trusts. As with any financial and legal endeavor that you consider to be significant, it is prudent to seek the advice of a qualified professional to help ensure the desired objectives are properly met.

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