**Article:** Trusts: Potentially Powerful Estate Planning Tools

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**SECURITIES AMERICA COMPLIANCE REVIEW:** SAI#1871944

Trusts: Potentially Powerful Estate Planning Tools

*More individuals are incorporating trusts in their estate plan.*

Increasingly popular estate planning vehicles, trusts can ensure individuals’ assets are distributed as they wish after their death and save their family time, money and paperwork. Although there are dozens of different trusts, they fall under four basic categories.

**Irrevocable**. In the absence of extreme extenuating circumstances, this trust cannot be changed or revoked. Once a grantor (person establishing the trust) transfers property into it, they can’t take it back. Because of this, an irrevocable trust is usually not subject to probate or estate taxes.

**Revocable.** Far more common than the irrevocable trust, a revocable trust allows the grantor to change or terminate the trust during their lifetime. Consequently, the trust’s assets are considered the grantor’s for creditor and tax purposes. The trust becomes irrevocable when the grantor dies.

**Testamentary.** Created through a will after death, this type of trust is created for young children, relatives with disabilities or others inheriting a large sum. It enables a trustee (the person the grantor designates to administer the trust) to distribute income as scheduled or needed. Often used in second marriages, a spousal testamentary trust can care for a surviving spouse but pass remaining assets to the grantor’s children after the spouse dies. Since all the funds are placed in the trust after death, they are subject to probate and transfer taxes.

**Living.** According to a recent AARP study, almost a quarter of Americans aged 50 and over have a living trust. This trust goes into effect immediately. It can be beneficial if the grantor wants their estate holdings to remain private, fears they may become unable to handle their finances due to a debilitating disease or holds out-of-state property – particularly one in which probate is burdensome.

Setting up and administering a trust can be more costly than creating a will, but may be worth the additional expense under the right conditions. Because there are so many choices and considerations, establishing a trust requires help from a financial professional and an attorney who specializes in estate planning. We would be happy to work with you, your attorney and tax professional to help you find beneficial solutions for your situation. Call our office to schedule an appointment with us and your other trusted professionals.