# O'DONNELL & ASSOCIATES

ATTORNEYS AT LAW
724 OAK GROVE, SUITE 110, MENLO PARK CA 94025
650/853-7183 WWW.ESTATEANDTRUSTPLANNING.COM

# LIFELONG TRUSTS® FOR CHILDREN

***Matthew O'Donnell, Esq. is certified by the State Bar of California Board of Legal Specialization as a Specialist in Estate Planning, Trust and Probate law.***

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***All of us here at O'Donnell & Associates are committed to giving our clients peace of mind by providing comprehensive estate planning solutions and services.***

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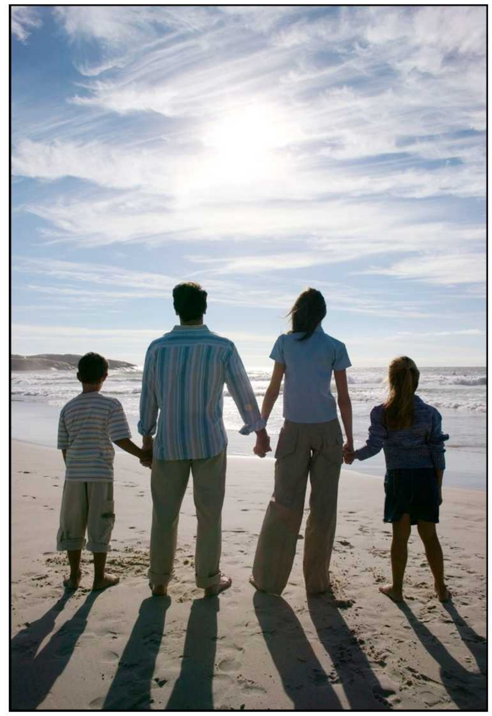
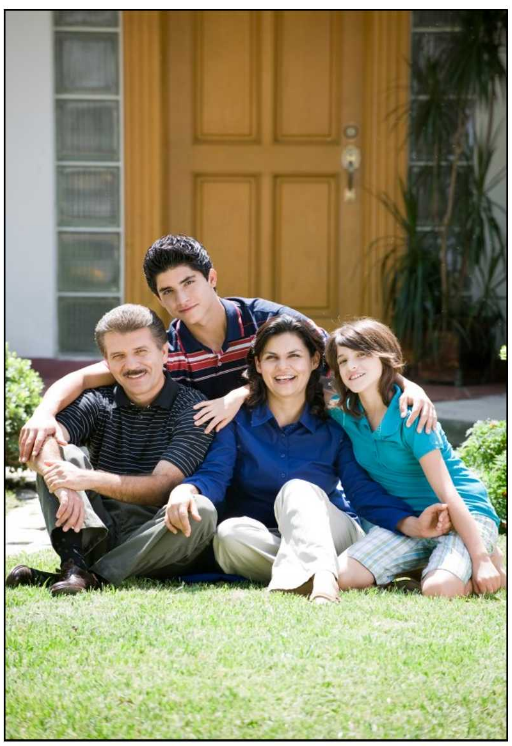
***We are happy to answer your questions and address your estate concerns. Call us at 650/853-7183***

Whenever parents establish a Trust estate plan, they should consider including a "Lifelong Trust®" for one or more of their children in lieu of leaving each child's inheritance outright to the child or in a short-term trust for the benefit of the child.

***Short-term trusts usually have the following provision:***

*Upon my death I leave my estate in Trust for the benefit of my son James. I appoint my brother Robert as trustee of James' Trust. Robert has discretion to pay out income and principal from the trust estate to or for the benefit of James until James turns age 25 at which time, Robert shall transfer the entire Trust estate outright to James and terminate James' Trust.*





## *Lifelong Trusts® for Adults*

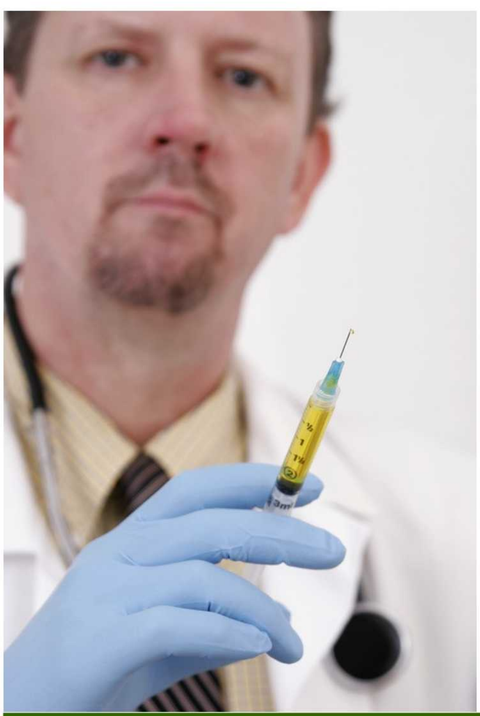
Parents may wish to include a Lifelong Trust even for responsible adult children or beneficiaries. A properly-drafted Lifelong Trust® can provide excellent asset protection from lawsuits, divorce, negligence, immaturity, or failure of the child to establish his/her own estate plan. Lifelong Trusts® can also preserve public benefits for disabled children and minimize death taxes.

***The following examples help illustrate potential situations in which a Lifelong Trust® might have been employed to protect a child's inheritance.***

***Example:*** *William dies and leaves his entire estate to his daughter Gwen, who has always enjoyed gambling. Gwen hires Bernie from High-Risk Financial Advisors to manage her money. One day when Gwen asks Bernie for a withdrawal to fund another trip to Las Vegas, Bernie reports that her account lost 75% in value over the last three months.*

In the example above, William could have considered appointing a trust company, private fiduciary, experienced individual or trusted relative as Trustee to manage Gwen's inheritance for the rest of her life. Gwen's Lifelong Trust® could have provided that the Trustee pay out income and principal as she needed it for her health, education, support and maintenance - at the discretion of the Trustee. Gwen's Lifelong Trust® could also have included specific provisions to deal with her self-destructive tendencies and set up incentives to help her change her ways.

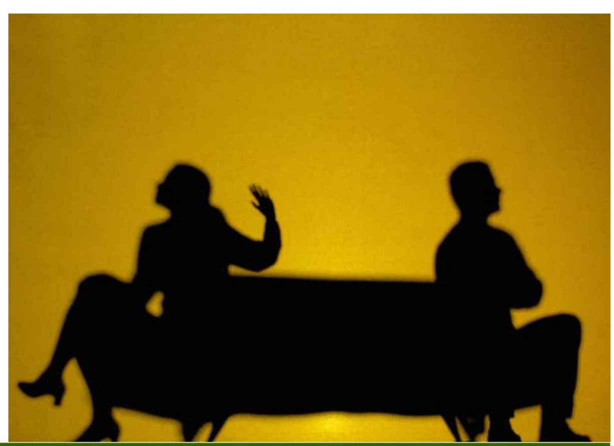
***PLANNING TIP: When setting up your estate plan, consider the character and habits of all your beneficiaries as objectively as possible. Your best intentions may not be enough to protect your loved ones from themselves. Setting up a Lifelong Trust®, with a responsible trustee as an intermediary, could solve problems before they occur and secure that their assets are protected.***



## *Here are a few scenarios that illustrate the advantage of setting up a Lifelong Trust®*

***Example:*** *Michael dies and leaves his entire estate to his only child, Ben, a physician. Ben is presently defending a lawsuit for misdiagnosing an illness which may have caused the death of a prominent businessman.*

***Example:*** *June dies and leaves her entire estate to her only child, Vickie. Vickie marries Peter and uses her inheritance to buy a home with him; they take title of the house as community property. Peter then files for divorce from Vickie.*



***Example:*** *Leroy dies and leaves his entire estate to his only child, Matilda. Matilda is involved in an auto accident in which the other driver sustains a spinal cord injury. Matilda's auto insurance has policy limits of $100,000.*

***Example:*** *Todd dies and leaves his entire estate to his only child, Cameron. Cameron marries Jill and they use Cameron's inheritance from Todd to purchase a home as joint tenants. Cameron and Jill are raising their three young sons when Cameron dies in a work accident. Jill inherits the home as the surviving joint tenant.*

*A few years later, Jill marries Frank to provide a father figure for her three boys (Todd's grandsons). She decides to sell the house she and Cameron had owned and purchase a new home as a joint tenant with Frank. Frank has two children by a prior marriage. Jill dies. Frank inherits the home as the surviving joint tenant. Frank's Will leaves his entire estate to his two children and he makes no provision at all for Jill's sons (Todd's grandsons).*

***PLANNING TIP: Each of the examples above involves an adult child who appears to be responsible and whose inheritance is exposed to significant loss or entirely wiped out by circumstances. In all of the examples above, the inheritance received would have been protected if the parent had created a Lifelong Trust® for the child.***

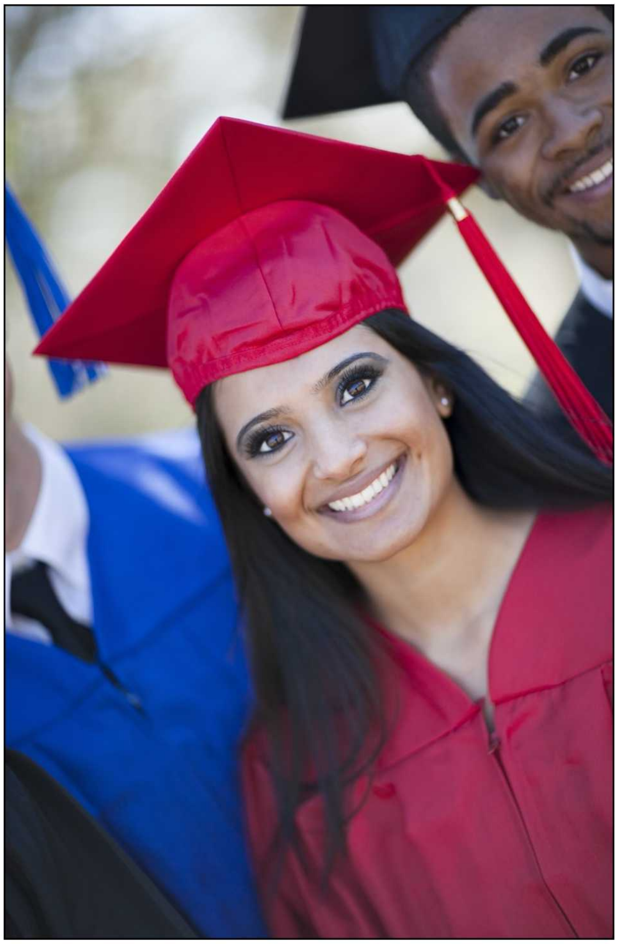
## Livelong Trusts® offer flexibility...with control

Parents have an array of options in naming Trustees and defining Trustee powers when designing a Lifelong Trust® for a child. Flexibility can be provided to allow an adult child-Trustee to invest the funds of the Trust, or buy a home with Trust funds, as long as whatever he/she buys continues to be held in his/her name as Trustee of his/her Lifelong Trust®.

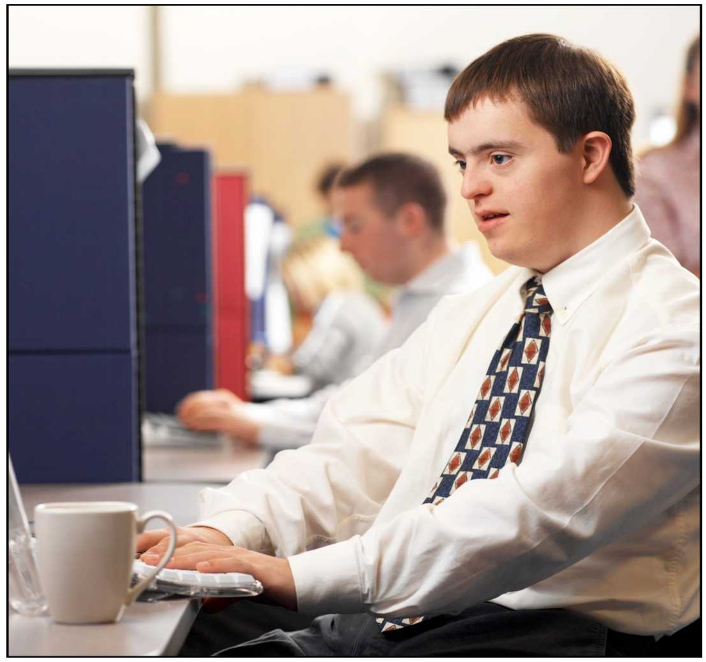
He/she could also take distributions for his/her health, education, support and maintenance.

If the parent is concerned that the child-Trustee might need some oversight when making distributions, the parent could provide for appointment of an individual with the sole power to consent to distributions while the child serves as the managing Trustee.

If the parent is concerned that the child may not be able to effectively manage his/her Trust funds, the parent could provide for appointment of a Co-Trustee to serve with the child as managing Trustee, or appoint an individual, private fiduciary or corporate Trustee to be the sole managing Trustee of the child's Lifelong Trust®.



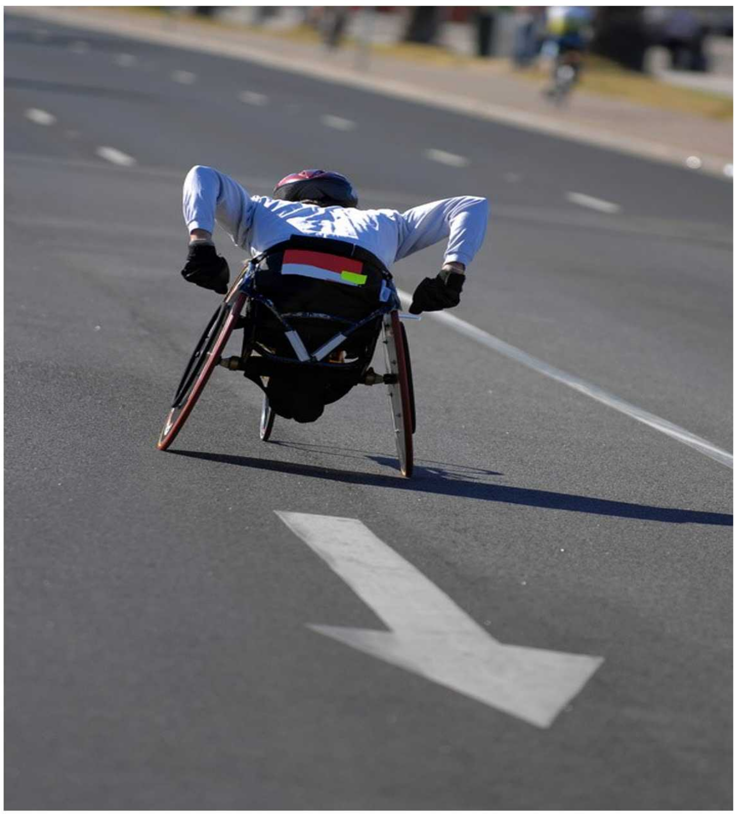
## Consider Special Needs Trusts...



Lifelong Trusts® can also include a Special Needs Trust option for inheritance given to a disabled child.

A Special Needs Trust will prevent the inheritance from causing the disabled child to become ineligible for government assistance such as SSI or Medi-Cal benefits.

A comprehensive Special Needs Trust document usually includes detailed provisions for a Care Manager to personally supervise the care of the disabled child.



***PLANNING TIPS: Parents should be aware that, in most cases, inheritance in a Lifelong Trust will not increase the value the child's estate for death tax purposes because the child is the beneficiary of the Lifelong Trust®, not the owner of the Lifelong Trust®.***

***CONCLUSION: If you are considering setting up a Lifelong Trust®, we can help with all phases of the planning and implementation. Please call our office at 650/853-7183 or check our website at www.estateandtrustplanning.com...We are here to help you!***