The roles of trusts – Preservation, tax-readiness, clarity and more

Designed to preserve your wealth – and your intentions for it – trusts are precise, tax-efficient tools that can help ensure your hard work is paid forward in the ways you envision. Below we explore five types of trusts and their key features. While the goals and structure of each varies, they are all complex legal arrangements requiring professional insight and finesse to implement. Working closely with your financial advisor and estate planning attorney to build a trust strategy tailored to you can help maintain your wealth's momentum from one generation to the next.

LIVING TRUST

- Established by an individual (grantor) and takes effect during their lifetime
- Managed by a trustee on behalf of the beneficiaries based on the grantor's instructions and wishes
- Beneficiaries can be individuals or, in some cases, other trusts or wealth preservation instruments
- Revocable living trusts can be canceled or changed at any time, irrevocable living trusts cannot and are typically used to provide tax savings and protect assets

In a recent Raymond James wealth transfer survey

91% of respondents said tax efficiency was important, but only **26%** had brought tax professionals into their wealth planning.

MARITAL TRUSTS

- Established by one spouse (grantor) with the other named as beneficiary
- Helps protect and distribute assets within blended families
- Can maximize tax efficiency if an estate exceeds the federal exemption
- Ensures grantor's intentions for asset distribution are upheld in the event of the beneficiary's remarriage

GENERATION-SKIPPING TRUSTS

- Skips a generation of estate and death taxes by placing assets in trust for the grantor's grandchildren
- Allows grandchildren and heirs to reap the benefits of a longer appreciation period
- While a grantor's immediate children can receive income and principal from the trust, they do not own the assets and therefore cannot lose them in a legal action

In a recent Raymond James wealth transfer survey

76% of respondents said accurate execution of their intentions was an extremely important factor in their planning.

SPECIAL NEEDS TRUSTS

- Provides financial security, benefits coordination and life enrichment for a beneficiary with special needs or a disability
- Preserves the beneficiary's access to essential government benefits (SSI, Medicaid, SNAP, HUD housing programs, etc.)
- Can offer certain tax advantages for the person establishing the trust

LIFE INSURANCE TRUSTS

- A trustee purchases a life insurance policy on an individual and names the trust itself as beneficiary
- At the individual's death, insurance proceeds can be used to pay taxes and other expenses with remaining proceeds distributed according to the individual's instructions
- Because the individual doesn't directly own the insurance policy, the trust is not considered part of their taxable estate

Put your intentions in trusts

Incorporating trusts into your financial and estate planning can help ensure your wishes for your wealth's future are clear and carried out. Your financial advisor can help you get started.

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