

A Menu of Trust Options

A trust is an instrument set up to hold the property of an individual, often called the **grantor**, for one or more designated **beneficiaries**. The following glossary provides a brief description of various types of trusts. Because trusts are complex, it is essential that you consult a professional. Your insurance and/or financial professional can work with your attorney and accountant to help you determine which trust best fits your family's living and estate objectives.

Testamentary—A trust that does not take effect until your death. It generally spells out how you want your estate distributed to your spouse and/or heirs. It can be redrafted during your lifetime as the needs of family members change. It can also give great flexibility to the **trustee** to act in your stead and treat family members as you would have if you had lived.

Revocable Living Trust—A trust created during your lifetime. Property owned by such a trust escapes the cost and publicity of **probate**. Another family member, trusted friend, or trust company becomes the trustee after your death or disability.

Irrevocable Trust—A trust that may not be revoked after its creation. Irrevocable trusts are typically established to help save estate taxes. They are often funded with **life insurance** with the *trust* as the owner and beneficiary of the life insurance policy. The death benefit passes directly to the trust and avoids becoming part of the taxable estate. It allows the trustee to have cash outside of the estate and outside of probate to buy assets from the estate.

Marital Deduction Trust—A trust designed to transfer assets to your spouse at your death and qualify for the **unlimited marital deduction**. The surviving spouse has the power to appoint those assets to beneficiaries of his or her choice.

QTIP Trust—This trust is a special type of “marital deduction” trust. It allows you to transfer assets to your spouse and control who the assets go to upon the death of your spouse. The QTIP trust qualifies for the unlimited marital deduction at your death if an election is made.

Support Trust—This type of trust is created to generate enough income to support a beneficiary (usually a child or spouse) presently dependent on your income for support. It is often designed so that the beneficiaries can live off the interest or income that is generated—not the principal.

Spendthrift Trust—This trust is useful to the grantor who is concerned that the beneficiaries may be irresponsible or ill- suited in managing the funds left to them. Guidelines may be set to specifically direct how the funds are to be disbursed, therefore ensuring that the money will not be irresponsibly “frittered away.” A trustee is designated and given discretionary powers to control the flow of assets.

Charitable Trusts—These trusts are created for charitable, educational, religious, or scientific purposes. There are a variety of charitable trust designs for the purpose of providing income for a specified period either to the charity (a **charitable lead trust**) or to your spouse and heirs with the remainder passing to the charity (a **charitable remainder trust (CRT)**).

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