

## TRUST CONSIDERATIONS

One of the best ways to ensure that your assets are managed according to your wishes is to place them in a trust. But with all the different trust options available, it's hard to know which one is right for your situation. We're here to help. As both a trust company and registered investment advisor with nearly fifty years of experience both setting up and managing trusts, we are happy to guide you through the trust selection process and beyond.

So let's begin with the basics – what a trust is, how you can benefit from a trust, common types of trusts, and how to get started:

### WHAT A TRUST IS

A trust is a legal arrangement in which you, the grantor, place assets in a trust account for the benefit of one or more beneficiaries. A beneficiary is often a family member, but can also be a friend, favorite charity or even a beloved pet. A trust agreement is a legal document that you write with the help of your attorney that legally establishes the trust and officially designates either a person or corporation to serve as trustee or co-trustee. The trustee is a fiduciary who is responsible for administering the trust, managing the assets, and distributing income or principal to the beneficiaries according to the terms of the trust agreement as well as state law.

### HOW YOU CAN BENEFIT FROM A TRUST

There are numerous reasons why people set up trusts. The following is a sample of the common motivations for establishing a trust:

- Reduce estate tax
- Protect privacy
- Avoid the expense and delay of the probate process
- Avoid probate in other states where you hold real estate
- Set up a fund for your own support in case you become incapacitated
- Provide for family members that might have special needs
- Require oversight of assets for family members who may not be able to responsibly manage their finances without assistance
- Provide for your children and grandchildren in the event of a second marriage
- Manage assets to care for minor beneficiaries
- Provide for a charitable beneficiary
- Avoid operational disruption during a business succession

## COMMON TYPES OF TRUSTS

There are many different types of trusts designed for the varying reasons to establish a trust. A few of the most commonly used trusts are the following:

**REVOCABLE** – Can be altered or terminated by the grantor because the grantor retains all of his or her rights of ownership to the assets in the trust:

- Grantor continues to pay taxes on the income generated by the trust
- When the grantor dies the assets in the trust transfer to the named beneficiaries without going through the probate process
- These trusts are often used to protect and manage the grantor's assets if he or she becomes incapacitated

**IRREVOCABLE** – Can't be modified or terminated without the permission of the beneficiary because the grantor no longer has rights of ownership to the assets in the trust:

- Grantor transfers assets into the trust that are then managed for and ultimately transferred to the beneficiaries
- Income generated from the trust is distributed to the beneficiaries
- The trust is liable for taxes on income earned by the trust

**CRUMMEY** – Allows the grantor to make lifetime gifts to his or her children, free from gift or estate taxes, as long as the amount is equal to or less than the legally permitted amount:

- The legally permitted amount is currently \$14,000 per year
- Takes advantage of the gift tax exclusion when transferring money and/or assets to another person
- Places limitations on when the recipient can access the money

**QUALIFIED PERSONAL RESIDENCE** – Holds the grantor's primary or secondary residence and in doing so, removes its value from his or her taxable estate:

- Sometimes referred to as a "QPRT" or "personal residence GRIT"
- If the trust conforms to all of the provisions of the law, it is not subject to certain IRS valuation provisions
- Both the retained and remainder interests of the residence can be valued under traditional gift tax valuation rules

**CHARITABLE** – Holds assets given by the grantor to be used for the benefit of philanthropic organizations:

- Can also benefit beneficiaries designated in the trust, typically family members
- They have an advantageous tax status
- In order to be valid, the trust must fulfill certain legal requirements

**MARITAL** – Allows for property to pass from the grantor to his or her surviving spouse without being taxed upon death:

- Allows the couple's heirs to avoid probate
- When the surviving spouse dies, the remaining trust assets will be subject to estate taxes
- To further avoid estate taxes when the surviving spouse dies, a marital trust is sometimes used in conjunction with a credit shelter trust

**IRREVOCABLE LIFE INSURANCE** – Holds life insurance policies and is a way to remove assets from his or her taxable estate:

- Grantor gives up all incidents of ownership over the insurance policies transferred to the trust
- The trust is also designated as the primary beneficiary of the life insurance policies
- Can provide the grantor's family with a quick source of cash to pay estate tax while at the same time not increasing the grantor's overall estate tax burden

**SPECIAL NEEDS** – Designed to preserve government benefits for a disabled beneficiary:

- May be created using assets of the beneficiary or funds from a family member
- Distributions to the beneficiary are intended to supplement public benefits rather than replace them
- Certain rules and restrictions must be followed to allow the beneficiary of the trust to remain eligible for Social Security and Medicaid



## HOW TO GET STARTED

Come in and visit with us so that we can learn about your objectives. Working with your attorney and tax advisor, we will help you determine what kind of trust meets your needs and how it should be structured.

As both a trust company and a registered investment advisor, we see your entire financial picture and manage your finances for both your lifetime and beyond. In addition to offering corporate trustee and trust administration services, we also have the expertise to provide strategic investment management for your trust assets:

- With deep roots spanning nearly half a century in the Pacific Northwest, Laird Norton Wealth Management has a multi-generational approach to personal and family wealth.
- We have no proprietary investment products, ensuring our independence when selecting the best investment options for your trust assets.
- Our investment solution provides access to leading market opportunities.
- Our size and single location helps us make quick decisions about your trust, avoiding delays caused by layers of decision makers spread across the country.
- We will carry out the values, goals and objectives outlined in the trust and provide continuity of administration.
- Family harmony is preserved by placing us in the tough position of saying no when needed.
- Our professional expertise ensures proper trust administration and accounting in compliance with federal and state requirements.