

Your Guide to Trusts

Technically speaking, a trust is a legal document. Practically speaking, a trust can protect money and property for heirs. A trust is a way for you to simplify your life, to control the disposition of your assets at death, and to provide for the people, charities, and organizations that you care about most, long after your death.

TYPES OF TRUSTS

One way to categorize trusts is by the way in which they are created:

- **Living Trusts** are established while you are alive. At your death, the trust assets are distributed to the beneficiaries you have selected.
- **Testamentary Trusts** are created by will at the time of your death.

Another way to describe trusts is by how they can be modified:

- **Revocable Trusts** can be modified at any time until your death or incapacity. Assets can be transferred in and out of the trust at any time. You control the trust and its assets, and you pay the taxes on the trust.
- **Irrevocable Trusts** can be changed only in limited ways. Assets can be added to certain trusts and beneficiary status can sometimes be modified if a provision is written into the trust. When you give up the ability to withdraw assets and authorize that the trust distribute the remainder to individuals or to a charity at the time of your death, the trust pays its own taxes. One of the greatest advantages of creating this type of trust is that you will enjoy significant income tax, capital gains tax, and estate tax benefits.

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