

A Living Trust: The Key to Your Estate Plan

There seems to be quite a bit of discussion these days on the subject of a living trust as an estate-planning tool. But what is a living trust? What are its advantages? And how can a living trust fit into your estate plan? Here are some answers.

A living trust is an arrangement you create during your lifetime to provide for yourself and your family both before and after your death. It has built-in flexibility that can work very well with your overall estate plans. Though there are many advantages to using this estate-planning tool, it is not a substitute for a will.

► REDUCTION OF PROBATE COSTS

Although you can enjoy the use of the assets you place in a trust during your lifetime, a living trust removes those assets from your estate for probate purposes. Therefore, you save the probate and administration costs you would incur if those same assets were distributed by the terms of your will.

► SPEEDY DISTRIBUTION OF TRUST ASSETS

By establishing a living trust during your lifetime, you are setting up a method of managing and distributing your assets. Because a living trust escapes the probate process, the plan of distribution you describe is set in motion immediately at your death. There are none of the delays that occur under distribution by will.

► FLEXIBILITY OF PLANNING

Another advantage of a living trust is the overall flexibility it provides. Most living trusts are revocable. This gives you the freedom to amend, add to, or even completely revoke the trust agreement as you wish.

► FREEDOM OF CONTROL

Living trusts give you the freedom to name both the beneficiaries and the trustee. Most likely you will name yourself as the trustee during your lifetime and maintain the right to appoint and select successor trustees and beneficiaries. You also control the income and principal and how much of it you wish to use during your lifetime.

► INVESTMENT MANAGEMENT

You may choose to appoint a professional trustee such as a bank trust department. This frees you from the worry of the day-to-day management of assets, yet you still may direct investment goals, including instructing your trustee to change investment strategies. If you wish, you can give your trustee broad powers and allow the trustee to make the decisions, do all the paperwork, and collect the dividends and interest and credit them properly. You would receive

periodic and detailed accounting statements, including year-end data for tax purposes. This means you could travel extensively, knowing that your trustee would be managing all the details of your trust assets. Should you suffer a prolonged illness, your trustee could even pay your medical and household bills.

► **CONFIDENTIAL TRUST TERMS**

One of the most favorable aspects of a living trust is the privacy it allows. Unlike a will, no one, other than beneficiaries, needs to know the contents of a trust.

► **CHARITABLE CONTRIBUTIONS**

Charitable contributions may be made easily with a living trust. Once your needs and those of your family are met, trust assets can be distributed to your favorite charitable organizations.

► **TAX SAVINGS**

A living trust may be drafted to make the most of estate tax advantages afforded under federal law.

Keep in mind that the level of income is not guaranteed. The trust's assets will be invested in highly rated securities, of course, but the yield is dependent upon economic and market conditions. From your standpoint, these drawbacks may be more than offset by your right to retain control of the trust terms and investments.

A living trust generally is not a stand-alone document. It is advisable to have a pour-over will since it can be difficult to get every asset into a trust.

A living trust gives you flexibility while you receive income from your assets during your lifetime, and it can provide asset management after your death.

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