



# The advantages of a living trust

## The freedom and security of a revocable living trust

The advantages of establishing a living trust are numerous, making it one of the most effective and valuable wealth management planning tools available today. With a living trust, you may benefit from continuous investment supervision, substantial tax savings and standby protection, which allows unimpeded access to your trust assets by your trustee in the event you become critically ill or incapacitated.

## What is a living trust and how does it work?

A living trust is an arrangement in which the trustee holds legal title to property (the trust property) to keep or use for the benefit of another (the beneficiary(ies)).

It is called a “living trust” because, once created, it takes effect immediately while you are living. It’s also often referred to as a “revocable living trust” because it can be changed or revoked entirely according to your wishes during your lifetime. As such, it’s not to be confused with a “testamentary trust,” which is specified in a last will and testament and takes effect after death.

Like other types of trusts, a living trust is an agreement in which a trustee, appointed by the person who creates the trust, manages specific assets on behalf of the beneficiary or beneficiaries named in it. The beneficiary can be you or anyone else you name.

During your lifetime, as your goals and objectives change, you can

modify the terms of your living trust, change beneficiaries or terminate the arrangement entirely. Additionally, you can specify the trust be terminated upon your death or continued for your beneficiaries.

Most people serve as their own trustee as long as they are capable. Sometimes the donor decides he or she no longer wants to worry about investments and bill paying and more. At that time, he/she can elect to have the successor trustee take over those duties.

The administrative benefits of having a third party manage substantial property or assets during your lifetime is often deemed reason enough for establishing a living trust. But there are many other advantages.

## Living trust advantages

### Investment management expertise

Delegating the responsibility of managing your assets to seasoned investment professionals means you can enjoy more free time. Your trustee can work with your investment professional to design an investment program to suit your circumstances, while handling all clerical and administrative matters for the trust on your behalf.

### Affordable services

Living trusts typically cost very little to establish and maintain. Additionally, these costs are often offset by investment gains, lower probate expenses and tax savings. Moreover, in some cases fees related to income on

taxable securities can be tax-deductible — subject to a base of 2% of adjusted gross income.

## Your welfare first

In the event you become seriously ill or incapable of handling your own personal finances, your trustee can be authorized to pay medical and other bills. Your assets can be made readily available for your benefit in an emergency, affording you additional peace of mind knowing your affairs are being handled with diligence and professionalism.

## Lower estate settlement costs

While the assets in your trust are generally taxable, they’re not subject to probate procedures, thereby reducing estate settlement costs considerably.

## Efficient income distribution

Again, because trust property is not subject to probate procedures, the disposition of trust property will not be prolonged by any delays involved in probate estate settlement. As a result, the flow of income from the trust to your beneficiaries can continue with minimal interruption.

## Personal privacy

Your last will and testament is a public document. Through probate, its contents — including the names of your beneficiaries and how much they will receive — become public knowledge. Unlike your will, a living trust is a private agreement and remains private after your death.

### **Fewer legal disputes**

Bequests contained in a will may be challenged by relatives who believe they're entitled to more than they receive. Dispositions under a living trust, however, are more difficult to challenge. Where a person has established and observed the operation of a trust during his or her lifetime, claims based on mental incompetence or undue influence can be defeated.

### **Valuable estate planning insights**

Establishing a living trust and monitoring its activity over time will give you some idea of how effective your trustee will be in providing valuable trust and investment services to your family in the future. And because it's a living trust, you can make any changes necessary to ensure your wishes and objectives are fulfilled.

### **Solid financial foundation for your family**

The living trust that you and your financial advisor design now can be continued after your death to benefit your family, providing three distinct advantages:

- Experienced financial management
- Payment of benefits with little or no interruption
- No cost or delay associated with probate

Your living trust can also be used to coordinate other assets. Life insurance proceeds or retirement benefits can be paid into the trust and assets can be carried over from your will to the trust. With this kind of flexibility, your trust can be the foundation for your family's future financial security.

### **Who benefits most from living trusts ?**

Living trusts offer numerous benefits for many people who:

- Want to enjoy what they've earned or inherited, but dislike the ongoing commitments of managing capital
- Travel frequently, making it difficult to manage their financial affairs
- Seek the satisfaction of creating a financial program for the future benefit of their family or favorite charity
- Have special needs or little experience managing finances
- Desire impartial and trustworthy advice from an objective, knowledgeable source
- Are concerned about their health or future ability to manage their financial affairs and seek sound advice from a professional

### **It's easy to create a living trust**

A living trust can be custom tailored to reflect your needs, wishes and level of personal involvement in managing day-to-day affairs. It's also easy to create.

### **Establish your objectives with an advisor**

To meet your needs and those of your family, consult a your financial advisor for help defining your specific objectives and ways to best address them. Talk with your advisor about the benefits of having a professional trustee or successor trustee for your revocable trust.

### **Have your lawyer review your plan and prepare your trust**

Your living trust will likely be core to your immediate and future plans. To ensure everything's done correctly, contact your lawyer and have the trust documents drawn with all the necessary provisions.