



Five Compelling Reasons Why YOU Might Need a Trust

Let's first be clear about the difference between a will and a trust. With a will in place, your estate--which simply means all your assets and debts--will be handed over to an executor and then go through probate, a special court set up to make final distribution of your worldly possessions. Certain assets do NOT go through the probate process, such as life insurance proceeds and assets placed in a trust. With life insurance, your heirs have almost immediate access to the proceeds rather than having to wait through the sometimes lengthy probate process. It could help a surviving spouse pay off a mortgage or provide funds to your children to cover funeral expenses.

A trust simply is a legal mechanism which allows assets to be set apart and managed by a trustee for the benefit of a person(s) or organization. You can set up and fund a trust of which you are the trustee and the beneficiary. Assets held in a trust are subject to estate tax if you are the beneficiary; however, they do not go through the probate process. With the new 2013 estate tax law in place, estates are now exempt from tax for the first \$5.25 million which will be adjusted going forward for inflation. Even if your assets do not add up to that amount, here are some compelling reasons to set up a trust so that certain assets do not go through the probate process.

1. **Out of state property**—Owning a vacation home, farm, or investment property outside of your home state is one of the KEY reasons to form a trust. Dealing with out-of-state probate adds a level of complexity, time and cost with which you don't want to saddle your heirs. This is also true if you have relocated in retirement and left assets behind.
2. **Children with issues**—You may have a child or heir for whom receiving a windfall upon your death may not be a great idea. Setting up a trust that distributes funds over a period of time might be a better choice than simply dividing up your assets through a will. You can also set up an Incentive Trust that allocates funds only if certain criteria are met, such as finishing college or avoiding substance abuse.
3. **Blended families**—Setting up certain assets in trust for your natural-born children may be the best way to ensure your assets don't fall into the hands of hostile heirs. This can be vitally important for a family-owned business. A trust is also an excellent method to ensure assets are divided fairly between children from different marriages that may have different needs.
4. **Great alternative to a pre-nup**—With all the media hype about the hostility surrounding pre-nuptial agreements, it's hard to understand why more people aren't aware of the more romantic alternative. Prior to a second (or beyond) marriage, you can set up any or all of your assets in a trust that passes to a specific set of beneficiaries or organizations, thus minimizing the potential demands of the future spouse.
5. **Providing for someone with special needs**—If you have a relative who cannot support themselves because of an injury or debilitating disease, setting up a trust is the best way to provide for them. This allows for a steady stream of income to cover monthly expenses rather than the typical lump-sum distribution from a will which they may not be able to manage successfully. One great advantage of a special needs trust is that, unlike other income, the proceeds avoid disqualifying the beneficiary from Social Security or Medicare benefits.

Revocable trusts are fluid legal instruments that can be modified at any time while you remain competent, to suit changing circumstances. Setting up a simple trust is more affordable than you might think. Please call me for a free consultation to see if a trust is right for you.