

# WHAT IS A TRUST?

## 5 Things You Need to Know About Trusts

1. Trusts are a device to manage the property from your estate.
2. Trusts are managed by a trustee, who must act in accordance with your wishes and for the benefit of your beneficiaries.
3. Trusts are not part of the public record – they are private documents. They are not filed with the court and only certain people know the terms of the trust.
4. A Trust can be a powerful estate planning tool if you own property, especially if you own property in multiple states.
5. A Trust must be properly funded and managed over your life to ensure that it works as designed when you die or become incapacitated.

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## WHAT IS A TRUST?

A **Trust** is a legal document that establishes a device for a **trustee** to manage property from your **estate** (everything you own) after your death. Think of a Trust as a “box” where you put your property (home, accounts, etc.). A **trustee** decides how to manage the different items in the box for the **beneficiaries** (the individuals that receive the benefits from the Trust). The trustee must manage the items in the box according to your wishes described in a **Trust Agreement**.

There are two basic types of trusts we use in estate planning:

- **A Revocable Living Trust.** The Revocable Living Trust is an “open box” that you (and your spouse) create during your lifetime. As long as you are alive, you can take things out of the box and put things into the box. Doing so generally does not change the character of anything in the box. For example, putting your home in a revocable living trust does not change the fact that you still need to make your mortgage payment. You can also change the terms, beneficiaries, and other key aspects of the trust. Once you die, the Revocable Living Trust becomes irrevocable, meaning that no further changes can be made to the things in the box or the terms of the trust.
- **An Irrevocable Trust.** An Irrevocable Trust is a “closed box” that you (and your spouse) create during your lifetime. Once something goes into an irrevocable trust, it becomes the responsibility of the trustee to manage the thing(s) that you put into the box. The trustee must still manage the assets according to the instructions in the trust agreement and for the benefit of the beneficiaries. Irrevocable trusts are a powerful tool to provide asset protection for your beneficiaries.

## WHAT DOES A TRUST DO?

A Trust allows you to transfer property outside of the probate process. Unlike a Will, a Trust is not a public document – the terms of the trust and the beneficiaries are private. A Trust also allows you to control distribution of assets to beneficiaries and provide for your family on terms that you decide.

## DO I NEED A TRUST?

It depends on several factors, including the property and accounts you own. We will discuss trusts during your Family Wealth Planning Session.