

Bank of America Merrill Lynch

Four Reasons to Use a Trust

See important information at the end of this program.

Hi I'm Andy Friedman, principal of the Washington Update and I want to talk to you a bit about preserving, protecting and controlling your assets for members of your family. If you and your spouse's assets are approaching \$10 million, it's important to have a comprehensive estate plan to minimize your federal estate taxes.

But even if your assets are below \$10 million, it may be useful to have a trust to make sure those assets remain and ultimately are distributed to your family in the manner that you wish.

There are 4 reasons why you may want to use a trust in these circumstances.

Providing for Family

First is to make sure family members are taken care of in accordance with your wishes. For instance, you may have children who are too young to inherit your assets or too inexperienced to manage the assets. In that case, you might want the assets held in trust with professional management and then distributed later on in accordance with your wishes, perhaps when a child reaches a certain age or when he or she accomplishes a certain goal such as graduating college or law school.

Second, if you were to pass away and leave your assets solely to your spouse, he or she might remarry and then distribute the assets to other people—people you would not normally want included in your estate plan. By using a trust, you can make sure that your spouse receives income and assets as necessary to maintain their lifestyle, and yet keep the residual assets solely for your children.

The same question can arise where you have a second spouse. You want to make sure that on your death, your second spouse receives income and assets to maintain his or her lifestyle, but you also want to make sure that upon the second spouse's death, the assets go to your children, not to his children or her children.

Incapacity

A second reason to consider using a trust is incapacity—your incapacity. By putting assets in a trust and proscribing the tests for incapacity, you alleviate the need for your family to go to court. Then, when you become incapacitated, your assets can be managed by a professional manager and be distributed later on according to with your wishes to family members.

Creditor Protection

Third, creditor protection

If you are in a profession where you might be subject to lawsuit down the road, perhaps a doctor or maybe a lawyer, by putting assets in trust, in a proper structure at the proper time, you can make sure that creditors are unable to reach those assets.

A trust can also protect the assets in the event of a divorce. You want to make sure, for instance, that should one of your children divorce, the assets continue to help your child but not his or her former spouse.

Charitable Goals

The final reason to put assets in a trust involves charity. You may want the bulk of your assets to go to a charity or various charities you designate upon your death but you want to also make sure that spouses and family members are taken care of. A charitable trust allows you to provide income to designated family members but still provide assets to meet your charitable wishes.

These are just some of the reasons why you might want to use a trust to preserve, protect and control your assets for your family and future generations.

Important Information

Andrew H. Friedman is the Principal of The Washington Update LLC and a former senior partner in a Washington, D.C. law firm. He speaks regularly on legislative and regulatory developments and trends affecting investment, insurance, and retirement products. He may be reached at www.TheWashingtonUpdate.com.

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