

The Financial Edge™

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TO TRUST OR NOT TO TRUST part two

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In this issue you will gain knowledge about:

- Different classifications of trusts ... part two
- What should you do now

Classification of Trusts

(3) A third way of classifying trusts is to do so by the purpose of the trust. In my opinion this should only be done after a thorough Asset Optimization and Estate Planning evaluation. Names of trusts are for the most part descriptive of their purpose. In this article I will not attempt to talk about the purpose of every trust, however I will give you a non-exhaustive list and briefly give a description of just a few. Types of trusts you can have are;

- Charitable Remainder Trusts
- Charitable Remainder Annuity Trusts ("CRATS")
- Charitable Remainder Unitrusts ("CRUTS")
- Charitable Lead Trusts
- Charitable Trusts
- Charitable Remainder Unitrusts With Net Income Make Up Provision ("NIMCRUT'S")
- Charitable Split-Interest Trusts
- Credit Shelter Trusts
- Complex Trusts
- A/B Trusts
- Asset Protection Trusts
- By-Pass Trusts
- Grantor Retained Income Trusts ("GRITS")
- Spend Thrift Trusts
- Qualified Personal Residence Trusts ("QPRTS")
- Resulting Trusts
- Revocable Trusts
- Life Insurance Trusts

- Qualified Terminable Interest Property Trusts (QTIP Trusts)
- Testamentary Trusts
- Complex Trusts
- Crummey Trusts
- Grantor Trusts
- Generation Skipping Trusts
- Dynasty Trust
- Simple Trusts
- Special Needs Trusts
- Constructive Trusts

Each one of these trusts has a particular purpose for which it was created, but as I said it is best left to our Estate Planning attorney to really dive into the specifics of how these trusts are used. I will however, speak just a little on 3 broad areas of trusts, Insurance Trusts and Charitable Trusts and Charitable Remainder Trusts.

Another word for a Charitable Trust is a "Public Trust," because it benefits the general public through charitable means. Although forming this type of trust can be complicated it offers much flexibility in providing benefits from the trustor or other trust beneficiaries and at the same time meeting charitable goals. It also offers tax advantages to the trustor that is not available to other "private" trusts. Longevity is also a big advantage over private trusts because a Charitable Trust can be established to last indefinitely.

Charitable Remainder Trusts give you the ability to give future interest in an asset to charity and at the same time keep an income stream



for yourself or for another beneficiary. Offering an immediate tax deduction thereby lowering your taxes is not the only advantage of a Charitable Remainder Trust. You can also specify a portion of the trust income to be distributed to a non-charitable beneficiary for a certain period of time after which the charity receives the property.

Insurance Trusts are my favorite category of trusts. Individuals with a certain amount of wealth have been educated by their advisors about the many advantages of using Insurance for asset protection and optimization and wealth accumulation. Business Insurance Trusts which can be used to protect the proprietor or partners of a business (also known as "key man insurance"), or Personal Insurance Trusts which involves no business interest and is usually intended to provide help in managing insurance proceeds from estate taxation are two



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very powerful types of Insurance Trusts. A Life-Insurance Trust which is another form of Insurance Trust is created for the purpose of receiving proceeds payable under a life-insurance policy and is similar to a Living Trust. A life Insurance Trust is also sometimes used to provide a vehicle for continued management and distribution of insurance proceeds for a beneficiary who may need assistance in those matters.

In order to get the tax benefits of having the proceeds excluded from the decedent's estate of a Life Insurance Trust the insured must divest himself of all interest in the policy, and

place those rights in the hands of a trustee with the documents properly drafted. This is why the trustee who is selected for this type of trust is typically someone other than the individual who is insured. What makes a Life Insurance Trust so appealing are the tax benefits. But remember, first make sure you are working with a qualified attorney, second because the tax laws are so complex surrounding trusts, make sure your attorney can properly draft the documents, and third the insured must completely divest themselves of all interest in the policy.

One read I would recommend is Douglas R. Andrew's book,

"The Last Chance Millionaire". This is the third book of a series with more to follow. The first book was "Missed Fortune" (a War and Peace version), and the second was "Missed Fortune 101" (condensed version of first book Missed Fortune). In these books the reader begins to get the whole essence of Asset Optimization and Wealth Accumulation and the importance that properly structured maximized policies can play in this quest. We are students and are being mentored by Doug and his team, and have completely enveloped the Missed Fortune movement because of its importance to the world.

When opportunity meets preparation, success is the result

-unknown-



For an asset optimization check-up with a qualified Financial Strategist, please contact Leon Williams or Ulrike Elder at 916-489-5822 leon@lucafinancial.com or Ulrike@lucafinancial.com



What should you do now?

Before you think about creating a trust there is a lot of discovery you must do before you can even think about what type of trusts you should use and how you should use them. Have a complete Asset Optimization session done by a qualified individual. Some of the things you would consider are:

- What would be the purpose of establishing the trust?
 - What is your financial situation, real estate holdings, and your goals?
 - What are your family's financial circumstances?
 - Your age and health;
 - What type of legacy would you like to leave with your family, the community and the world;
- Estate and generation-skipping taxes, gifts, capital gains and losses etc.

With Asset Optimization it is important that you work with someone who has a team or is part of a team of professionals. It is impossible for your insurance agent to recommend the right coverage for you if he/she has no idea how it fits into your complete financial game plan. Donald Trump and Richard Kiyosaki both talk about the necessity of building a team, however most people do not have the clout to get their CPA, Financial Planner, Mortgage Planner, Insurance Agent, and Estate Planning Attorney all in the same boardroom. Because of this most people go through their entire lives without optimizing their assets and in the process waste a tremendous amount resources and miss out on incredible experiences they could have had.

For a complete list of descriptions of the trusts listed, you can email us at Leon@LucaFinancial.com or Ulrike@LucaFinancial.com. You can also call our office at (916) 489-5822.

Book tip of the month:

The shorter version of Doug Andrews' sought after book "Missed Fortune"

