What is a Trust?

A trust is a legal contract that involves three main parties: a grantor, a trustee, and a beneficiary.

Grantor

- The grantor is the creator of the trust, also known as the "trustor," "settlor," or "trust maker." The grantor of a trust is held to a higher degree of competency than if he or she was simply creating a will.

Trustee

- A trustee is the individual or entity that is responsible for carrying out the terms of the trust document. A successor trustee takes control of the trust after the initial trustee resigns, passes away, or becomes incapacitated.

Beneficiary

- A beneficiary is a person or organization who benefits from the assets in the trust.

The main benefit of an estate plan utilizing a trust is that the trustee will administer the assets in accordance with the grantor's specific wishes, goals, and objectives as stated in the trust document. This assures the orderly disposition of the client's assets to achieve the desired outcome, limited only by the imagination of the grantor at the time the document is drafted.

Trusts can be revocable or irrevocable, the former is changeable by the grantor during their lifetime and becomes irrevocable at their death.

Revocable trusts set the stage for the disposition of assets similar to a will, however, they generally avoid probate administration and the costs associated with it. To gain this advantage, be sure that assets are retitled into the name of the revocable trust.

Irrevocable trusts are not readily changeable and are used to accomplish specific goals in estate and financial planning. They may contain provisions that instruct the trustee to distribute assets outright to beneficiaries at specific ages or to retain assets in trust for multiple generations.

Benefits of a Trust

1. Facilitate an orderly distribution of assets to beneficiaries
2. Avoid probate
3. Maintain privacy
4. Protect beneficiaries from creditors
5. Preserve assets for multiple generations
6. Avoid guardianship of the estate
7. Reduce estate taxes

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