Trust provide easy distribution of assets after death

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Providing for the distribution of assets after death is not a task anyone eagerly approaches. It is, however, a task we must all face. Trusts are one way of handling assets distribution and can be set up to accommodate a variety of situations. A trust is simply the legal relationship created when an owner of property, the grantor, transfers a property to another person, the trustee, to hold such property for the benefit of a third party of person or persons, the beneficiary.

The ability of trust to bridge the gap between life and death is one of their most remarkable characteristics. Through a trust, the grantor may rule to the extent the law allows. The grantor of the trust may wish to provide continuity in the management of a business or other property. An established trust can name a guardian for a mirror child, or others deemed legally incompetent, and assets can be managed and protected fro beneficiaries who are unable to prudently handle their person financial affairs.

The growing problem of disease, such as Alzheimer's points to the value of establishing a living trust. A living trust is created when the grantor is alive as opposed to a testamentary trust created by a will, which takes effect at death. Under a living or intervivos trust, a trustee may be empowered to handle business details and arrange financial matters for a living person with deteriorating mental capacity, as well as the later administration of the estate.

Avoiding the publicity of probate may be another important consideration in setting up a trust. Suring probate of a will all action of the executor under court supervision become matters of public record, open to anyone wishing to look up the proceedings. While the administrator of a trust has many of the same tasks as an executor, the transaction itself remain private.

Of course, the potential estate and gifts tax savings made possible by the use of certain types of trust may be the deciding factor in setting up a trust. Even with the many changes in estate tax over the past 10 years, trust can frequently be used in minimizing the size of the grantor's future estate, thereby reducing estate tax due. Through a properly structured trust, a grantor may be able to keep the future appreciation in transferred funds or property outside of the grantor's taxable estate.

A particularly attractive example of such a trust is an irrevocable trust funded by life insurance. An irrevocable life insurance trust often has life insurance proceeds as the sole asset of the trust. Annual gifts of cash are granted to the trust so the trustee can make premium payments on the trust-owned policy. If the appropriate steps are taken, the life insurance proceeds may be kept out of the grantor's estate and receive tax-free income tax treatment as well.

Trust can serve many useful purposes. The law of trust and estate planning is complex and is constantly changing. Before a trust is established, many legal and tax inssues must be considered. Consulting with legal and tax professionals will help to ensure that the trust established provides the benefits intended by the grantor.