

Guide To Using Trusts

Type of Trust	Main Purpose	Description
Asset Protection Trust	Asset Protection	A trust that protects trust assets from creditors by: Preventing the assignment or transfer of a beneficiary's interest, Rendering a beneficiary's interest unascertainable, Limiting the trustee's distributions to ascertainable standards, Allowing the trustee discretionary distributions to multiple beneficiaries or Changing or terminating a beneficiary's interest upon the occurrence of certain events.
Bypass or Credit Shelter Trust	Estate tax planning	Used by married couples whose combined net worth exceeds the applicable exclusion amount (\$1.5 million for 2005). Protects trust property from estate tax as it passes from one beneficiary to another. The trust is normally funded with property equal to the estate tax applicable exclusion amount (\$1.5 million for 2005). Typically provides income to surviving spouse for life and trust property passes to trust remaindermen at survivor's death. The trust assets are included in decedent's estate, but are shielded from estate tax by the applicable exclusion. They aren't in surviving spouse's estate.
Charitable Lead Trust (CLT)	Estate tax and charitable planning	Similar to a GRAT or GRUT (see below), except the term interest is given to charity. Remainder usually passes to family members. Can be either an <i>inter vivos</i> trust or a testamentary trust. Charitable lead interest must be a qualified annuity or unitrust interest.
Charitable Remainder Trust	Estate tax and charitable planning	Similar to GRAT or GRUT (see below), except the remainder passes to charity. Usually an <i>inter vivos</i> trust.
Crummey Trust	Gift tax planning	Beneficiary is given a "Crummey" withdrawal power (i.e., a limited, noncumulative power to withdraw principal or income). This power enables the transfer to the trust to be eligible for the gift tax annual exclusion (\$11,000 for 2005)
Grantor Retained Annuity Trust (GRAT)	Gift and estate tax planning	<i>Inter vivos</i> trust in which grantor transfers property while retaining a fixed dollar annuity payable for a term of years. Remainder normally passes to family members.
Grantor Retained Unitrust (GRUT)	Gift and estate tax planning	<i>Inter vivos</i> trust in which grantor transfers property while retaining a right to receive distributions equal to a fixed percentage of the annual FMV of the trust's assets for a fixed term of years. Remainder normally passes to family members.
Irrevocable Trust	Estate tax planning	Assets are transferred to a trust with no retained power to alter, amend, or revoke.
Minor's or Discretionary Trust [aka Section 2503(c) Trust]	Gift tax, estate tax and education planning	<i>Inter vivos</i> trust for the benefit of a minor before attaining the age of 21. Accumulated income and corpus passes to minor upon reaching age 21. The trust becomes a grantor trust at age 21 if the trust instrument extends the term of the trust beyond age 21.
Personal Residence Grantor Retained Interest Trust [aka Qualified Personal Residence Trust (QPRT)]	Gift and estate tax planning	<i>Inter vivos</i> trust in which grantor retains right to occupy trust property as a personal residence for a term of years. Remainder to family members. The grantor cannot be the holder of an interest in more than two such trusts at the same time.
Pourover Trust	Estate Planning	Useful as a receptacle for insurance proceeds, IRA benefits and qualified retirement plan benefits. May also receive a portion of probate estate under the will.
Qualified Terminable Interest Property (QTIP) Trust	Estate Planning	Provides a surviving spouse with an income interest for life. Enables a decedent to control the disposition of the remainder interest in the trust after the surviving spouse's death, but the transfer can still qualify for the marital deduction and is included in the gross estate of the surviving spouse.
Revocable Living Trust	Estate Planning	Assets are transferred to a trust subject to grantor's power to alter, amend or revoke (becoming an irrevocable trust at death and avoiding probate). Typically used to avoid having to probate the will (often a time consuming and costly endeavor). Also used to allow for professional asset management.
Supplemental or Special Needs Trust	Financial/Eldercare Planning	Distributions from the trust provide a disabled or elderly person with financial assistance without affecting the government benefits available to that person.