To Trust or Not to Trust? That is a Great Question.

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It is very common to use a Family Trust or various other trust structures to pass down assets to the next generation - but are we thinking about the implications of the legal relationship between the trustee/s and beneficiaries that will take place down the road?

Before we decide that a trust is a great tax and estate strategy to use, let's consider all the other operational and relationship pieces that are created when the trust is in place.

Trusts are simple, yet complex structures that are typically used to accomplish certain goals when leaving the estate to a spouse, children or any named beneficiary. We need to consider not only the quantitative goals (tax and protection), but also the qualitative effects (relationships, lifestyle, usage, etc.) of using a trust, which are often ignored.

We would like to avoid the transfer of wealth as being seen as a business or tax transaction. We would encourage the transfer to have meaning and emotion attached, so the next generation is prepared to receive it and not abuse it.

Jay Hughes describes it perfectly: "This trust is a gift of love. It exists to enhance the lives of the beneficiaries." He is not referring to materialism or free handouts to keep up an expensive lifestyle. He is referring to preparation, education, strong values, maturity and self-sufficiency.

What is a trust? It's a legal agreement between the named trustees and beneficiaries. The agreement will outline the management, administration and distribution expectations of the assets within the trust.

The trustee has the discretion and liability to follow the terms of the agreement, and the beneficiary has the accountability on the usage of the distributions.

Wait! A trust is also an agreement to establish a *relationship* between the trustee and beneficiary. The beneficiary is immensely

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dependent on the capabilities, expertise and knowledge of the trustee to manage their trust for 21 years. That is a role worth preparing for, don't you think? Selecting your beneficiaries is usually the easy part because they are typically your spouse or children. Selecting a trustee is a little more difficult and should not be overlooked. It will be the *most important decision* you make when creating a trust, because you are creating a new relationship. They have a great responsibility to live out your intentions of the trust that will impact the lives of the beneficiaries. Your trustee might be a family member (sibling, aunt, uncle, child), a professional (lawyer, accountant, manager), or a private trust company.

It is imperative to have an inclusive selection process (so every member/individual named within the trust is on the same page about the trust's intentions, management and distribution expectations), and to start developing the working relationships that will eventually exist as a result of the trust's formation.

In conclusion, before you decide to use a trust for tax and estate planning, consider the qualitative effects and relationships that will form as a result. Ensure family members and individuals involved in the trust are working together to understand the implications and expectations ahead of time so when the trust is created, it is a seamless transition.

To continue, let's have a discussion about the use of trusts and your estate plan. Please contact us to set up a discovery meeting.

Three important questions to consider whether a trust makes sense:

1. What is the main purpose or reason for using a trust?
2. What is the most important outcome that you would like to see the trust accomplish?
3. Who will you select to take on the role of the trustee? How will that impact the lives of the beneficiaries?