

To: P&G Employees
From: John B. Cornetet, CPA, J.D., CPF 513-771-2444

Re: Versatility of Trust

Trusts are used to accomplish three main purposes. They are tax avoidance, probate avoidance, and for the management of wealth distributions to your children or other heirs.

This note outlines the third purpose. You can design the distribution plan in a Trust to deal with a number of family issues or to accomplish specific goals. Examples of this versatility are as follows:

1. To provide for a second spouse while protecting the remainder of the Trust for your children and not your spouse's children.
2. To establish a special needs trust for a disabled family member in a manner that does not disrupt governmental benefits being paid to such family member.
3. To protect a child from his or her own spendthrift habits.
4. To protect against a young beneficiary from inheriting money until he or she is old enough to properly manage the gift.
5. To create incentives and safety nets for your children without supporting an unearned life style.
6. To protect a child's inheritance from that child's spouse in the event of a divorce.
7. To list secondary beneficiaries in the event a primary beneficiary predeceases you.
8. To provide educational funds for grandchildren or other beneficiaries.

Control over Trust distributions can be accomplished by specifying the age or event that would allow a distribution to occur. Control can be placed over the income of the Trust, the principal of the Trust or both. Further, an independent Trustee can be used as an objective gatekeeper over Trust distributions.

One of my favorite Trust provisions was the requirement for two granddaughters to submit proof of community service for the elderly to the Trustee prior to receiving their inheritance. Each granddaughter had to volunteer so many hours within two years of the client's death. Failure to do so would result in their share being given to a charity for the elderly. My client put in this provision because his granddaughters frequently made fun of old people.

Trusts are flexible estate planning devices that can solve many family issues and goals.