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What Goals Can You Accomplish with a Trust?

Should a trust be part of your estate planning? [Trusts](#) are typically associated with the very rich, but a surprising number of people use them to solve a variety of problems or achieve a range of different objectives. The Tennessee Society of CPAs spotlights three situations in which a trust might suit your needs.

Set Terms for Your Heirs

Some parents may want to leave all of their assets to their children, but they might have concerns about how soon the kids should have control over the money they inherit. In that case, a testamentary trust, which is written into a will, may be the answer. It can be used when, say, a couple wants to leave their money to their children but, in case they die when the children are young, they want to name a trustee in the will to manage that money until the kids reach a certain age, graduate from college, marry or any other point they might choose. This kind of trust can also be used when the beneficiary is someone with a disability who might need assistance overseeing the inheritance. It is generally easy and inexpensive to add a testamentary trust to a will.

Avoid Probate

The probate process, which begins when someone dies, involves checking that the will is valid, identifying and assessing the property involved, paying any required taxes and allocating the property to the correct heirs. These steps can take time and there are fees involved, which is why some people turn to revocable living trusts. In a typical case, you might transfer ownership of important property—such as real estate or bank or investment accounts—to the trust, naming yourself as the trustee. You also name a successor trustee who will distribute the trust property to your beneficiaries when you die. Your heirs receive their inheritance from the trust immediately upon your death, sidestepping probate, and the process is more private than probate. It's also possible to remove items from this kind of trust during your lifetime if, say, you decide to sell your house or access an investment. And if you become too ill to manage your assets, the successor trustee can take over for you.

Deal with Family Complexity

Forty percent of weddings are a remarriage for at least one of the partners involved, according to the Pew Research Center. That can complicate estate planning when, for example, the spouses want to ensure that, when one of them dies, the surviving spouse has enough to live on but also wants to guarantee that children from earlier marriages get their intended inheritance. A QTIP can be the answer. That's the short name for a Qualified Terminable Interest Trust, which can make it easier to be sure you provide for both spouses and children in blended families. Your CPA can offer further details if you're interested in this option.

Don't Forget the Will

Although trusts can be useful, they should not take the place of a will, which can address how assets outside of a trust might be handled. Other related important documents you may need include a living will or health care directive, which spells out the medical treatments you'd want to use to prolong your life; a health care proxy that identifies who can make medical decisions for you if you are incapacitated; and a durable power of attorney, which establishes who can make financial decisions for you if you're unable to do so.

Turn to Your Local CPA

There may also be other simple solutions to many of your common financial problems. Your local CPA can discuss all possible answers to your financial planning challenges and provide the advice you need to make the best decisions.

About Money Management

Money Management is a column on personal finance that is a joint effort of the AICPA and the Tennessee Society of CPAs, as part of the profession's nationwide 360 Degrees of Financial Literacy program. Members of TSCPA are CPAs residing and practicing primarily in Tennessee in all areas of public accounting, education, government, business and industry. TSCPA offers a speakers bureau for many types of business and educational engagements. For details, visit www.tscpa.com. TSCPA is headquartered in Brentwood, Tenn.