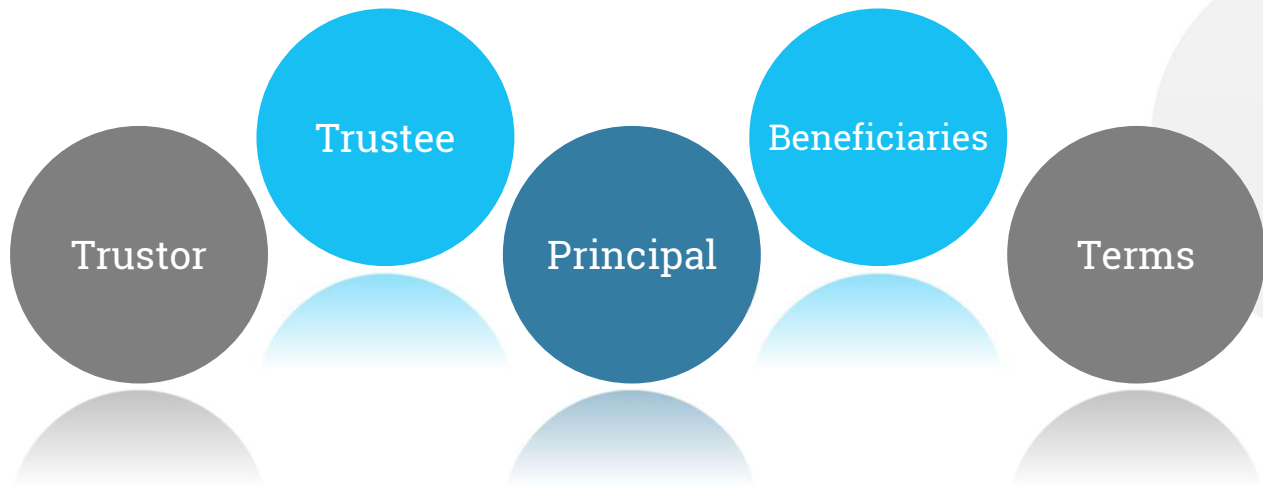


Trusts.....



What is a Trust?



Copyright © 2022 Crescendo Interactive, Inc.

WHAT IS A TRUST?

Perhaps most of you at this meeting here today have never had a trust. It is important that we all understand what a trust is and how it works. One of the keys to understanding trusts is to know the meanings of a few basic terms.

First, there must be a trustor. This is the person that sets up the trust. He or she transfers property to the trustee and sets up the basic rules for distribution of the income and principal from that trust.

The trustee receives property and a written trust document. The document tells the trustee who should receive the income from the property and how long the trust will last and who will finally receive the corpus or principal. The principal is the property held in the trust. A basic and important definition is the difference between income and principal. Income is the dividends or interest or other types of payments that are earned by investing the trust principal. The principal includes the underlying assets which may include land, stocks, bonds or other types of property.

Beneficiaries under the trust instrument come in two general categories. First, there are the income beneficiaries, those persons or organizations which will receive the income payments. Second, there are the principal beneficiaries, sometimes called the remaindermen because they receive the principal only after all the income payments have been made.

Finally, there are terms of the trust. A trust may last for many years and the trustor must tell the person drafting the trust what these terms should be. Simple terms might be paying out a certain percentage to one party or to other parties, an ability to make distributions of trust principal at certain times and under certain conditions and the final distribution of trust principal to the remainderman.

Trusts – Now and Later



- Living
- Testamentary

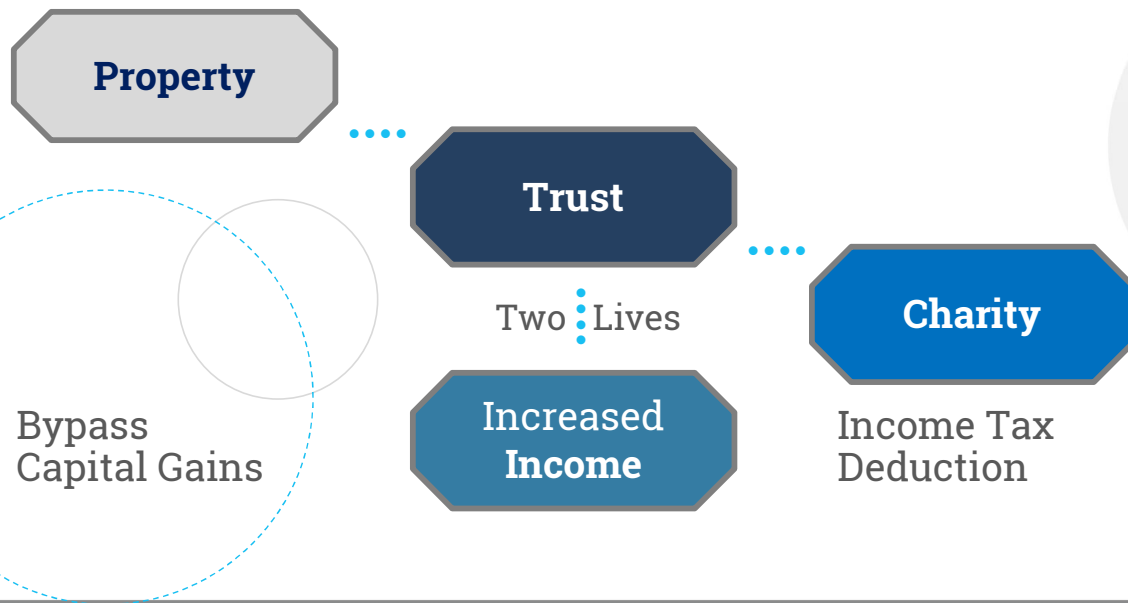
Copyright © 2022 Crescendo Interactive, Inc.

TRUSTS NOW AND LATER

There are two primary descriptions used for trusts. Some trusts are set up during life and are called living trusts or, *inter vivos*. *Inter vivos* is a fancy legal word that means among the living. These are set up by people who are currently living and typically benefit living individuals.

Testamentary trusts are set up by your "last will and testament." These trusts take effect at the death of the person who is creating the trust. Most of these are done by the will or they could be a trust that is funded by a revocable living trust that, at the death of the initial trustor, becomes a testamentary trust. Think of estates when you hear the words testamentary trust.

Charitable Trust



Copyright © 2022 Crescendo Interactive, Inc.

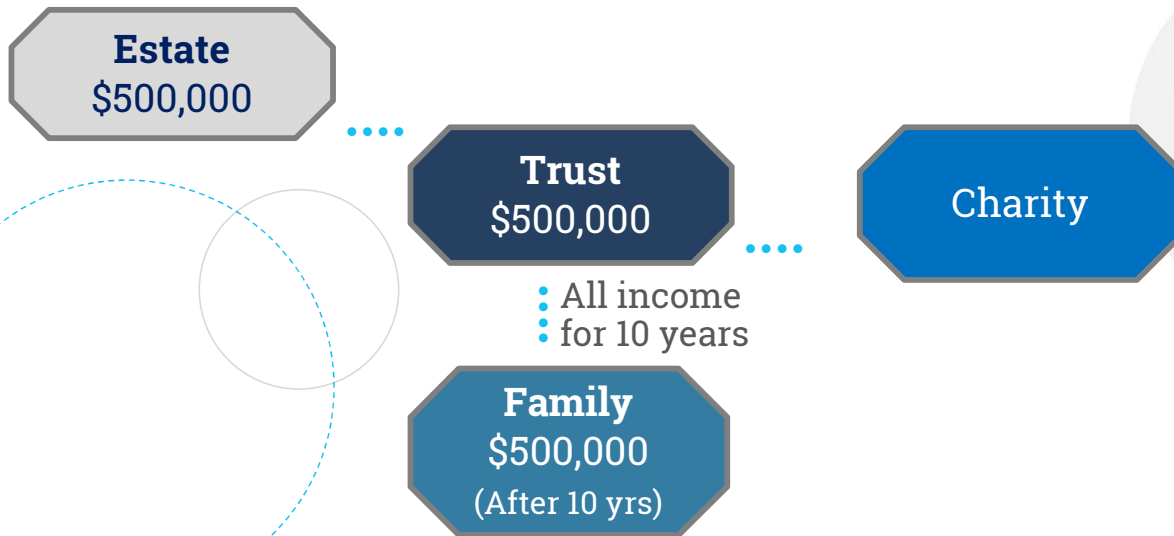
CHARITABLE TRUST

There are several different forms of charitable trusts. One of the most popular is a trust that has attractive tax benefits, pays income to family for a period of time and then passes as a remainder to charity. This illustration shows property being transferred into a charitable remainder unitrust.

The primary benefits are the ability to sell tax free and bypass capital gains and also receive a generous income tax deduction. After the property is sold and reinvested the two donors in this case receive income for their lives. They are able to receive a significantly increased income over prior income. Best of all, the full value of the trust, with no decrease due to payment of capital gains tax, is earning income for their joint lifetimes. This income might be stable or could have a feature that allows it to increase each year.

After the substantial income payments have been made for two lives, the principal is then eventually distributed to charity. The reason this trust is permitted to have the generous tax benefits is that the remainder will eventually be distributed to the charity selected by the trust creators.

Give-it-Twice Trust

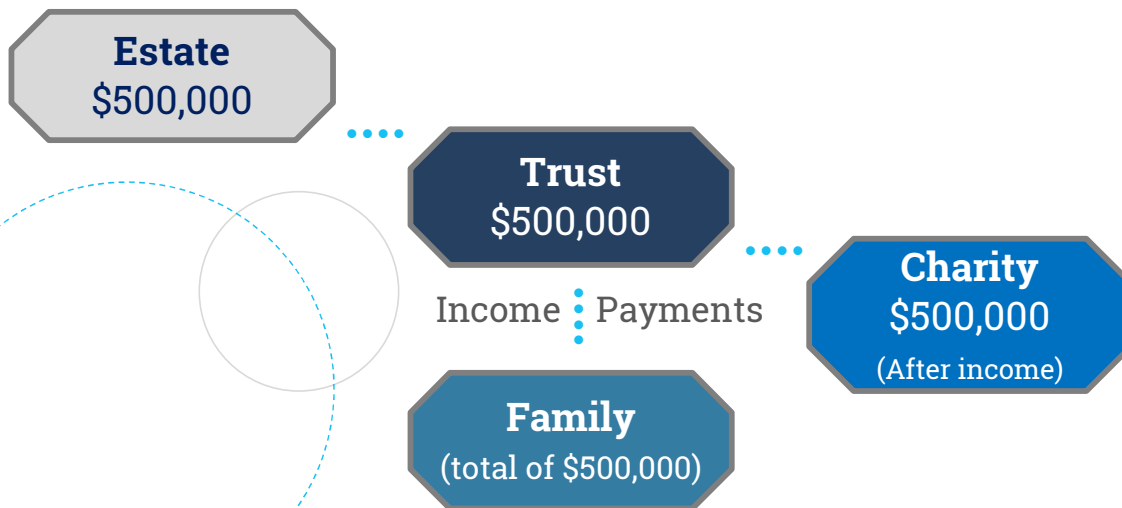


Copyright © 2022 Crescendo Interactive, Inc.

"GIVE IT TWICE" TRUST

Many families with medium-sized estates desire to benefit both family and charity. The "Give It Twice" Trust is an excellent way to do that. This version of the trust enables the family to take the estate and transfer it to a trust that pays income to family for ten years. Each year, one-tenth of the principal is distributed to family. At the end of the term, the principal is distributed to charity. In many families, the idea of distributing an inheritance over ten years is very attractive to parents.

Give-it-Twice Trust



Copyright © 2022 Crescendo Interactive, Inc.

"GIVE IT TWICE" TRUST

In this illustration, a family with a medium-sized estate decides to benefit both the family and charity. After mother and father pass away the estate is transferred into a trust. This trust pays income to family members until a total of \$500,000 has been distributed as income. Typically, this will take from twelve to fifteen years. After the estate has been given as income to family, the principal is then distributed to the charity. While the family will have to pay tax on the income, it is an excellent way for parents to remember family for a period of years and distribute the balance of their estate to a charity.

Will or Revocable Trust?



- Will
- Revocable Trust

Copyright © 2022 Crescendo Interactive, Inc.

WILL OR REVOCABLE TRUST

Should I have a will or a revocable trust? This has sometimes been called the John Wayne problem and the Bing Crosby solution. John Wayne had an estate of approximately 12 million dollars and left a will that was sent to probate in Orange County, California. John Wayne's estate was subject to litigation and controversy and many thousands of dollars were expended during ten plus years of litigation over the estate. His heirs literally waited for years without full access to the property that, eventually, became theirs.

Bing Crosby used a revocable trust, a trust in which he was the initial trustee and in which another party could take over at such time as he was no longer able to be trustee. The revocable trust does cost between \$1,000 and \$3,000 to establish, but does have a number of very good benefits. First, it is private. No one knows what the estate of Bing Crosby was because it was in the trust. Furthermore, no one knows what the provisions for distributing that estate were because those are also private since they are in the trust.

Revocable Trust



- Privacy
- Medical Care
- Avoid Probate
- Manage Assets
- Expense Involved

Copyright © 2022 Crescendo Interactive, Inc.

REVOCABLE TRUST

Four major advantages are present with a revocable trust. First, the trust is private. In nearly all cases, the trust property and the trust provisions will be handled by the trust administrator and only a few advisors and family members usually are aware of these provisions. This privacy is very much appreciated by those who do not wish to have their personal affairs be made a matter of public record.

Second, there can be provisions for medical care. If you are unable to manage your property, a successor trustee can take over management of the assets and use the income and principal of the trust to pay for your medical care.

Third, this trust does avoid the probate process. Although there is some cost in establishing the trust and operating it, there are offsetting savings since you will not be required to pay some of the fees which are normally due from the estate through the probate process. Please note that this does not mean that you now will avoid all federal estate tax. These trusts are, indeed, part of the taxable estate and will be subject to federal estate tax. However, they will bypass the probate process and the trust principal and income will be distributed to those beneficiaries as indicated in the trust document.

Fourth, this trust is very beneficial for managing assets. Senior persons may be subject to illnesses that could make it difficult for them to manage the property. In this circumstance, a successor trustee who has been selected by that senior person can take over the management of the property and insure that everything is done correctly to preserve the value of the property and see that the correct amount of income is received. This management provision is a great comfort to senior friends who have revocable trusts.

Why should not everyone have a revocable trust? Well, some people think that everyone should. However, there is some expense involved in setting up the trust and for that reason, most of the people with revocable trusts are typically more senior friends with substantial estates for whom the additional expense is very worthwhile.

Living Trust Benefits



- Revocable
- Additions/Withdrawals
- Professional Management
- May Provide for Care
- Confidential
- Settlement Time

Copyright © 2022 Crescendo Interactive, Inc.

LIVING TRUST BENEFITS

Some of you here have heard about the potential benefits of the living trust. I would like to review today those reasons that some of our friends have created these trusts.

First of all, the trust is revocable. This means that it can be revoked or changed at any time. If you don't like the provisions or language of this trust, you may merely change it or modify it so that it meets your desires and your needs. Second, you can make additions or withdrawals at any time. You can add property to the trust or you can take property away from the trust. Only the property that you want to be there will remain in that trust. Third, there can be professional management. Now most people initially set up the trust and they might choose to be trustee themselves for a time. However, there is an important provision in the document that says if you are sick and unable to manage the trust, then the person or organization that you select to be successor trustee will take over and see that the property is cared for. Some people have a concern and are afraid that they may someday be too sick or unable to manage their property. It is a very comforting thought to know that the person that you have selected to carry on and watch over your property is going to be taking care of management. Of course if we do select a private person to do this, then it may be appropriate to have a second or third party as a successor trustee and eventually to have a corporate trustee as a final trustee.

There are generally provisions that provide for medical care. If you are sick and taken to the hospital, you want to know that there will be a trustee making sure you receive good care and appropriate treatment for that medical condition. In addition, the living trust is confidential. It is not a public record and, ordinarily, does not become subject to any public disclosure or review. Finally, the living trust avoids the probate process. A living trust can considerably simplify the cost and avoid the time delays of the probate process. It is a superior way of making sure that the family members that you desire to be taken care of are benefited by this agreement.