

## ESTATE PLANNING

### PERSONAL TRUSTS

#### *How They Work and What They Do*

**A trust is an extremely flexible wealth transfer tool. It can be set up to meet your individual objectives, whatever they may be.**

Although trusts came into existence long before checking accounts and money market funds, few people think of them for meeting everyday financial needs. When it comes to the word “trust” as used in financial planning matters, many people are unfamiliar and inexperienced. They’ve probably heard the word and have a vague idea of what a trust does. But, they may not be sure if a trust fits into their financial picture. Yet a trust can become an integral part of your day-to-day life while helping you plan ahead and enhancing your control of your financial destiny.

#### WHAT IS A TRUST?

Basically, a trust is a legal relationship in which you, as grantor or creator of the trust, transfer property to a trustee – Northern Trust, for example – for the benefit of yourself or one or more beneficiaries. The trust document, drafted by your attorney, sets forth your desires as to the duration of the trust, the powers and duties to be given the trustee, the time and manner of the distribution of the trust income and principal, and the rights of the beneficiaries. You give the trustee legal ownership of the trust property for the term of the agreement. The trustee is legally bound to manage, invest and disburse that property in the manner you describe in the trust document.

#### TYPES OF TRUSTS

Put simply, there is no such thing as a standard trust. Instead, every trust is tailor-made to fit the financial needs and goals of the grantor.

Trusts come in several varieties. For instance, a trust may be testamentary – created by the grantor under his or her will – or living – created by an agreement during the grantor’s lifetime. Furthermore, a living trust may be either a revocable trust (a trust which can be altered, amended or even terminated – with all trust property returned to the grantor – at any time) or an irrevocable trust (one that cannot be changed).

In addition, a trust may be created for any number of beneficiaries, including the grantor, and may provide for just about any method of property distribution that the grantor desires. Many grantors typically choose to provide that trust income be paid to one beneficiary for his or her life, with the remaining trust property to be paid to another beneficiary or beneficiaries when the income beneficiary dies.

#### WHAT A TRUST CAN DO FOR YOU

Trusts have many uses. For example, you can create a trust for the following purposes:

- As a “pourover” vehicle for your estate assets, designed to hold and manage your property for the benefit of your heirs after your death.
- As a receptacle for the life insurance proceeds to be collected upon your death.
- For the professional management of your investments, such as stocks and bonds, real estate, etc., during your lifetime.

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- As a means of providing for your child's education or for the care of a handicapped dependent.
- For use in conjunction with your retirement planning.
- As protection against the mismanagement or nonmanagement of your assets if you become temporarily or permanently unable to manage them yourself (thus avoiding a court guardianship proceeding).
- As a tax-saving device.
- To support or provide financial assistance to your favorite charity or cause.

You have nearly unlimited discretion in establishing trust provisions. A trust is an extremely flexible financial planning tool. As such, it can be set up to meet your individual objectives, whatever they may be.

### **NAMING YOUR TRUSTEE**

Trusts, then, can serve a variety of purposes. But a variety of trustees may not serve your purpose. Even the best trust may fall short of its mark in the absence of a competent, fully qualified trustee. When you name Northern Trust as your trustee, co-trustee or successor trustee, you and your beneficiaries enjoy the collective efforts of a team of specialists; efforts that probably could not be duplicated by any individual. Working in your interest will be professionals in taxation, economic and investment research, investment management, securities trading, real estate, business management, and numerous other areas.

### **HOW TO FIND OUT MORE**

Northern Trust's commitment to asset management can help you provide financial security for yourself and those close to you. We welcome the opportunity to discuss how we can be of service.

The foregoing discussion is general in nature and is intended for informational purposes only. Because the facts and circumstances surrounding each situation differ, you should consult your tax advisor and estate planning professional before making any changes to your estate plan.

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