



THE COMPLIANCE CLINIC

SETTING UP A TRUST



INTRODUCTION TO

SETTING UP A TRUST

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PRESENTATION OVERVIEW

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INTRODUCTION

A trust is a legal arrangement in which a trustee holds and manages assets on behalf of a beneficiary or beneficiaries. Trusts have been used for centuries to protect and distribute assets, provide for loved ones, and support charitable causes. They serve a range of purposes, including estate planning, asset protection, and tax planning. Due to the complexity of trusts, it is essential to engage the services of a qualified lawyer and financial advisor to establish and manage them. Trusts are governed by state law, and they can be intricate legal instruments.



STEPS

FOR SETTING UP A TRUST

DEFINE THE PURPOSE AND BENEFICIARIES OF THE TRUST

- Identify the specific purpose for which the trust is being created, such as providing for the education of children, managing assets for minors, or providing for the care of a disabled family member.
- Determine the beneficiaries of the trust, such as family members, friends, or charitable organizations.

CHOOSE THE TYPE OF TRUST

- Research the different types of trusts available, such as revocable trusts, irrevocable trusts, living trusts, or testamentary trusts.
- Choose the type of trust that best suits the specific purpose and needs of the beneficiaries

STEPS

FOR SETTING UP A TRUST

CHOOSE TRUSTEES

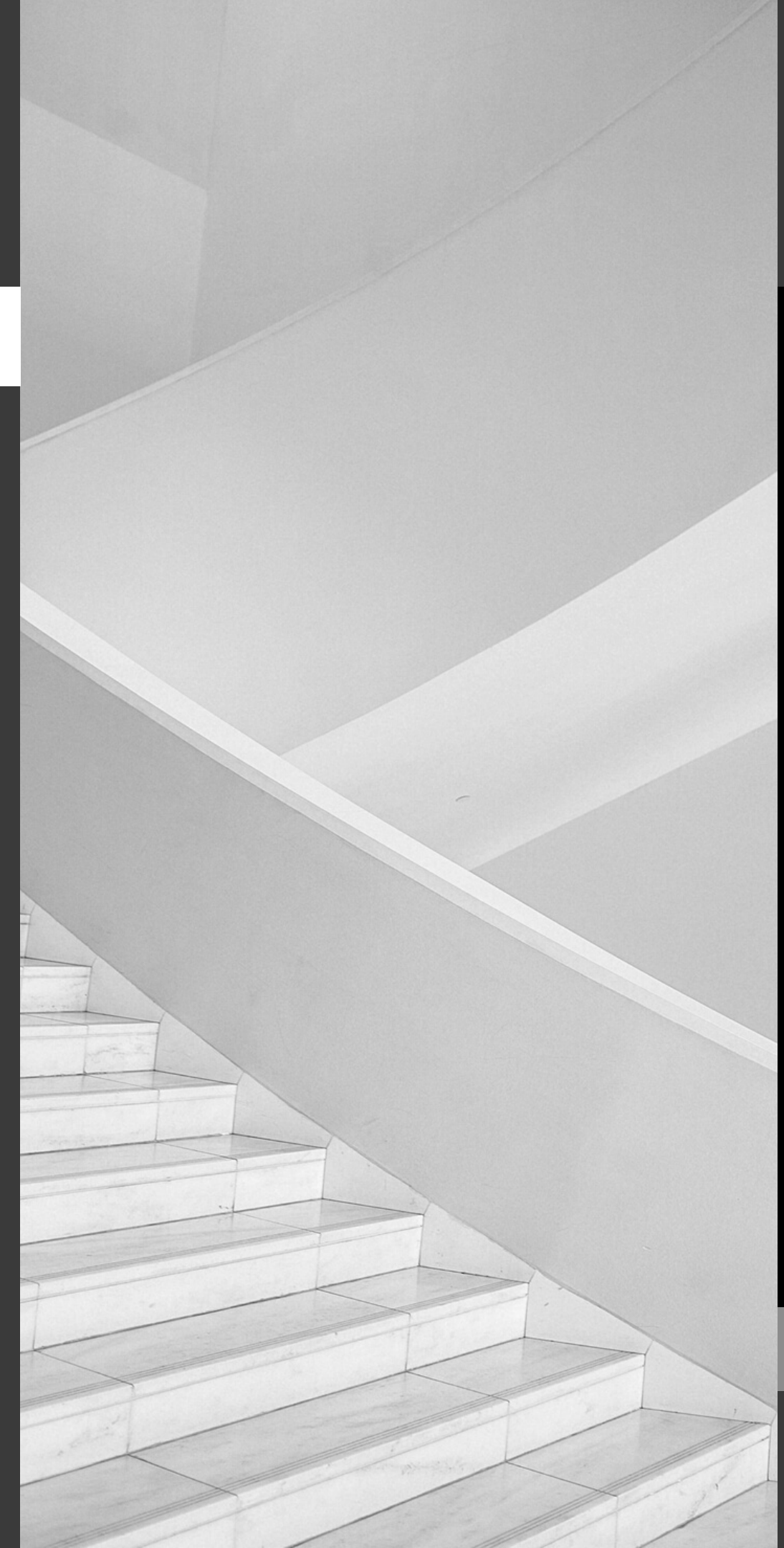
- Select a trustworthy and reliable trustee who has the necessary expertise to manage the trust assets.
- Consider appointing a corporate trustee, such as a bank or trust company, if no suitable individual is available.

DRAFT THE TRUST DOCUMENT

- Draft a legally binding document that outlines the purpose of the trust, the beneficiaries, the assets to be included in the trust, the trustee's duties and powers, and the distribution of trust assets.
- Ensure that the trust document accurately reflects the intentions of the trust creator.

FUND THE TRUST

- Transfer assets into the trust, such as real estate, investments, and other assets.
- Ensure that all assets are properly titled and transferred.



STEPS

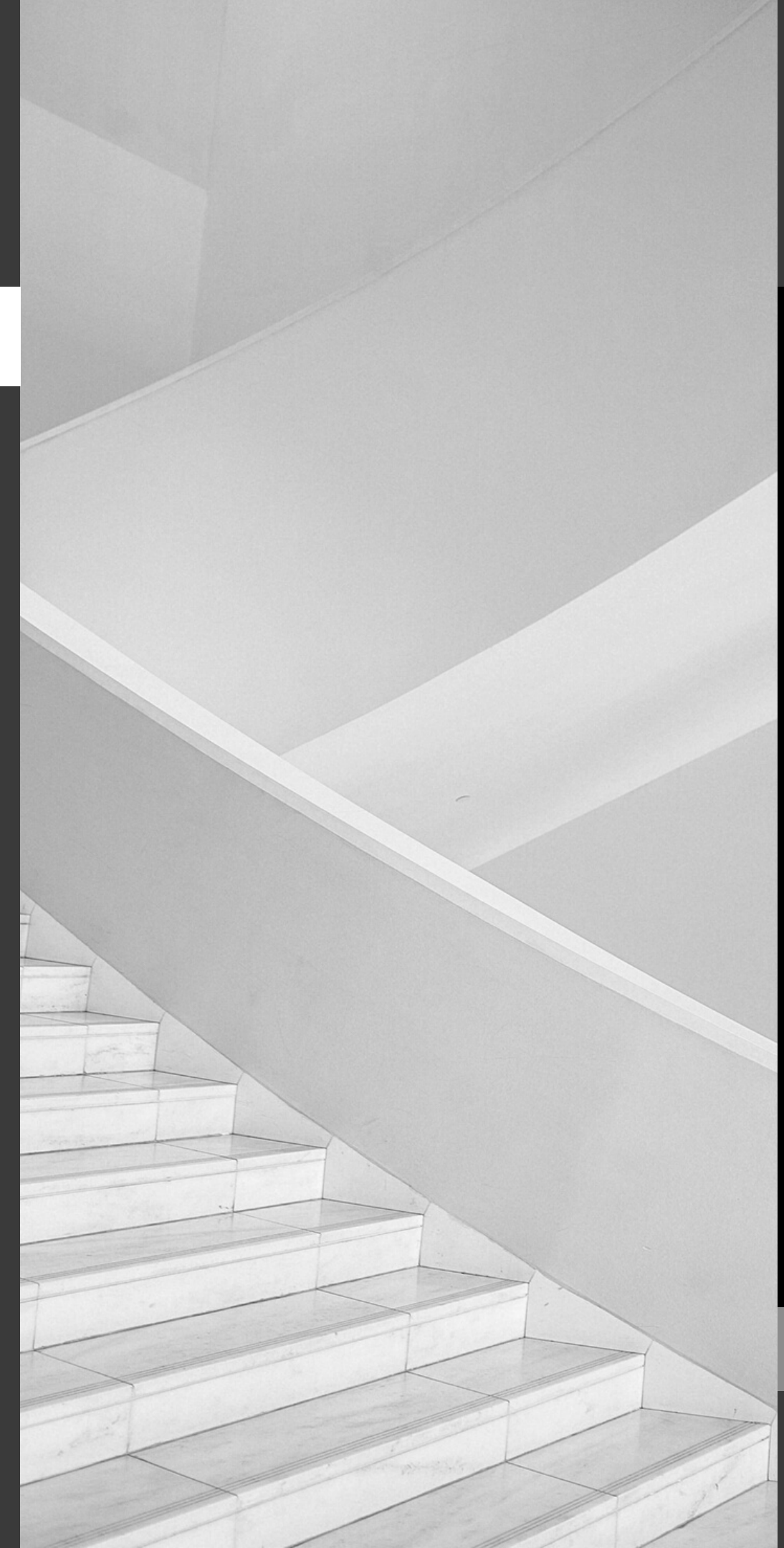
FOR SETTING UP A TRUST

REVIEW AND UPDATE THE TRUST

- Regularly review the trust to ensure that it continues to meet the needs of the beneficiaries and the purpose for which it was created.
- Make any necessary updates or changes to the trust document as circumstances change over time.

SEEK LEGAL AND FINANCIAL ADVICE

- Consult with a qualified lawyer and financial advisor to ensure that the trust is structured appropriately and that all necessary legal requirements are met.
- Seek professional advice before making any major decisions or changes to the trust.



BENEFITS OF SETTING UP A TRUST

- Asset protection: A trust can protect assets from creditors, lawsuits, and other potential risks. By placing assets in a trust, they are held separately from the individual's personal assets and may be more difficult for creditors to reach.
- Estate planning: A trust can be an effective estate planning tool, helping to ensure that assets are distributed according to the trust creator's wishes. A trust can also help to avoid the probate process, which can be time-consuming and expensive.
- Tax planning: A trust can help to reduce tax liability by minimizing estate and gift taxes. Depending on the type of trust, it may be possible to transfer assets to beneficiaries without incurring significant tax consequences.

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BENEFITS OF SETTING UP A TRUST

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- **Privacy:** Unlike a will, which becomes a matter of public record, a trust can help to maintain privacy by keeping details of the trust and its assets confidential.
- **Control:** A trust can give the trust creator greater control over how their assets are managed and distributed. For example, a trust can include provisions for how assets are to be used for the benefit of minor children, disabled family members, or other beneficiaries.

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BENEFITS OF SETTING UP A TRUST

- **Flexibility:** A trust can be tailored to meet the specific needs and circumstances of the trust creator and beneficiaries. Trusts can be designed to include specific instructions for how assets are to be used, distributed, or managed.
- **Continuity:** A trust can provide continuity of asset management and distribution in the event of the trust creator's death or incapacity. The trust can continue to operate under the direction of the trustee, ensuring that assets are managed and distributed according to the trust creator's wishes.

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DRAWBACKS

COMPLEXITY:

Setting up a trust can be a complex process, requiring the assistance of a qualified lawyer and financial advisor. There may also be ongoing administrative tasks, such as filing tax returns and managing trust assets, that can add to the complexity of managing a trust

COST:

Establishing and managing a trust can be expensive, as it may require legal and financial advice, ongoing administrative costs, and trustee fees. These costs can erode the value of the assets held in the trust over time.

LACK OF FLEXIBILITY:

Once assets are placed in a trust, it can be difficult to make changes or remove assets from the trust. Depending on the type of trust, the trust may also limit the flexibility of the trust creator to use the assets in ways that they would like.

LOSS OF CONTROL:

By placing assets in a trust, the trust creator may give up some degree of control over those assets. The trustee is responsible for managing the assets according to the terms of the trust, which may not always align with the trust creator's wishes.

LEGAL CHALLENGES:

Depending on the circumstances and the terms of the trust, there may be legal challenges to the validity or administration of the trust. This can lead to additional legal costs and delays in distributing assets to beneficiaries.



CONCLUSION

When considering setting up a trust, it is essential to weigh the potential benefits against the associated costs and risks. Seeking advice from a qualified lawyer and financial advisor can help ensure that the trust is tailored to meet the individual's specific circumstances and goals. They can also provide guidance on selecting the appropriate type of trust, funding the trust, selecting trustees, and establishing a clear plan for the trust's management and distribution of assets. Regular reviews of the trust, its assets, and its beneficiaries can help ensure that the trust continues to meet its intended purpose and goals. By carefully considering the advantages and disadvantages and seeking professional advice, individuals can make informed decisions about whether a trust is the right choice for their specific circumstances.

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