

Things you thought you knew

About Trusts

But They Are Not True

OR

Well, It Depends.....

There are many misunderstandings about trusts; we have all heard stories about what happens with a trust, and frequently don't know how to sort the kernel of truth out of each story.

- Only wealthy people need trusts - misunderstanding the purpose of trusts
- If I put my house in a Trust, I will protect it from judgments - misunderstanding the results of funding a trust
- My neighbor told me a trust is better than a will - confusing what situations are in play
- I can only give away \$15,000 without paying taxes - so many kinds of taxes!

What is Real?

- **First of all, what is a Trust?** It is primarily a relationship
It can be testamentary or living; writing is not a legal requirement
- **What is the purpose of a Trust? Or, Why are they used?**
Management of assets for someone; avoid probate; keep arrangements private; used to be used for tax planning. Sometimes to qualify for government benefits or to avoid creditors
- **What are the results of putting things into a Trust? Or, Why would you?**
The Trustee owns the control, subject to the grantor's instructions
The beneficiary owns the benefit, subject to the grantor's instructions
the Grantor does not own anything in the Trust
- **Why does my neighbor have one and doesn't that mean I need one too?**
There are so many reasons for trusts and so many different facts
- **What Taxes apply to Trusts? And to Wills and Estates also for that Matter?**
Note the difference between income tax, estate tax, gift tax, and property tax
The only income tax that is really relevant is capital gains (step up in basis) and return on investment for assets in trust
that \$15,000 rule is only for gift tax and it only means you pay tax if you give away over a million.