How Trusts Can Work for You

Preserve, protect and control your assets for current and future generations. By Megan Nye

Chelle Huth, a Thrivent member from Mechanicsburg, Pennsylvania, remembers encouraging her friend to set up a trust and name Thrivent Trust Company as trustee. Her friend, facing a terminal cancer diagnosis, wanted a way to ensure her children were cared for and her assets were poised to support her loved ones.

Huth, who today shares guardianship over those children with her husband, recounts the process of establishing the trust during what was already a difficult time for everyone. "The representatives walked her through exactly what was needed in order to set up the trust," Huth says, "and she worked with her attorney, who helped her shape the expectations of the trust and turn over all the documentation."

In reminiscing about her friend, Huth notes that Thrivent stood out to her. She thought it had a strong reputation for trust management but she also appreciated its philanthropic mission. As women of faith, both Huth and her late friend found that Thrivent's mission and caring financial professionals reflected their own lives of faith.

Her friend's illness eventually claimed her life. But Huth stresses the emotional benefit of having established a trust: "She had great peace at the end knowing that these things were in place, and I had great peace knowing that we could just focus on taking care of the kids," Huth says.

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How living trusts work

If you're like most people, you probably think that trusts are just for people with a lot of disposable income. However, anyone with assets may benefit by creating a personal trust.

The IRS defines a trust as "a legal arrangement which can help you control your assets and possessions. They often can help reduce taxes on your estate and speed up the process of allowing beneficiaries access to those assets."[1]

To understand how they work, it's important first to learn the lingo[2]:

- **Grantor:** The person who sets up the trust, also known as a settlor or trustor. When you set up a trust for yourself, you are the grantor.
- **Trustee:** The person who has legal power

to manage the assets in the trust. The trustee is responsible for safeguarding the trust assets for the grantor or beneficiaries, filing tax returns and more.
- **Co-Trustee:** One of two or more people who are named trustees in the trust. For example, a spouse may be a co-trustee on your personal trust.
- **Beneficiary:** A person or entity that receives the benefit of the assets held in trust.

When setting up a trust, you have a choice between two types—irrevocable and revocable.

Randall W. Sayers, a partner at Hansen Dordell in St. Paul, Minnesota, has decades of experience with trusts as both an attorney and a law school teacher. "Irrevocable trusts are primarily tax-driven and primarily for people with fairly significant estates where they're trying to accomplish things that require giving assets away in some form," Sayers says. One might use an irrevocable trust to donate money to charity or gift money to children. An irrevocable trust can take one of many forms, like a bypass trust, charitable trust or special needs trust.[3]

Revocable trusts allow you, the grantor, to modify or rescind the trust throughout your lifetime. Sayers notes that these types of trusts are primarily focused on the distribution of your assets upon your death. However, revocable trusts—often called living trusts—also can be invaluable if you're too ill to manage your money during your lifetime.

Make a revocable living trust work for you

To establish a revocable trust, you, the grantor, need to work with an attorney to draw up legal documentation to create a trust in your name. Name yourself trustee during your lifetime, as you most likely wish to maintain complete control over your assets. To manage your trust in the event of your illness or death, appoint a trusted friend or a trust company as your successor trustee. Designate beneficiaries—maybe your children, other loved ones or charitable organizations—to inherit your trust assets after you die.

A revocable living trust offers some valuable benefits:[4]
- **Avoid probate:** Since the trust document details how the successor trustee should distribute assets to beneficiaries after the grantor's death, your heirs typically can bypass probate court.

WHO CAN BE TRUSTEE OF YOUR TRUST?

Terry Chier, manager of Personal Trust Services at Thrivent Trust Company, says that you can choose an individual to be your trustee. But, especially after a death, the responsibilities and learning curve for many people can present a significant burden for a novice trustee. Another option is to consider a company or corporate "trustee" that is exclusively engaged in the business of trust administration.

Some of the reasons to consider naming this type of trustee include:
- Experienced people with specialized expertise in working with all types of trusts.
- Time commitment. Depending on the complexity of the assets, trust administration can be very time-consuming.
- Subject to regulatory oversight.
- Investment expertise, including experience with specialized assets such as real estate.
- Detailed reporting of the trust's transactions that's available to all trust beneficiaries, according to the terms of the document.
- Preserving and promoting family harmony where disputes exist or are likely to exist among beneficiaries.
- Connections to attorneys who can help you plan and create the trust.
- Peace of mind knowing that the institution will endure.

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- **Maintain privacy:** Probate court proceedings are a matter of public record. By keeping your estate planning within the confines of a trust, you ensure privacy of your financial wishes.
- **Protect you while alive:** If you're unable to manage your affairs due to temporary or permanent disability, your trust clearly establishes how your assets are to be managed and by whom.
- **Ensure the fulfillment of your wishes after your death:** The trust will lay out your chosen beneficiaries and a detailed plan for how they will inherit.

Terry Chier, manager of Personal Trust Services at Thrivent Trust Company, says a potential downside to establishing a trust is the upfront cost of creating one and the time spent transferring assets into that trust. But Chier emphasizes the importance of investing that time: "The key is that you transfer the title of your assets into the name of the trust. By not transferring your assets, all the advantages of establishing the trust will be lost, and your successor trustee will not be able to carry out your intent."

Sayers reiterates the importance of moving assets into the trust to ensure its maximum value and adds that the change typically is not a taxable event. He recommends including investments, real estate, liquid assets in a bank and your personal property. And Sayers notes that retirement vehicles—like IRAs and 401(k)s—can't be placed in trust, though you can update the beneficiary of each of those accounts to be your trust. You should always check with your legal and tax professional before changing your beneficiary designations to avoid any unintended federal or state income tax consequences.

No one can predict the future with any certainty. But you can take steps to protect yourself and your loved ones. And creating a trust of your own is a great way to do that. ■

Megan Nye is a freelance personal finance writer in New Jersey.

Revocable trusts—often called living trusts—also can be invaluable if you're too ill to manage your money during your lifetime.

Wondering how a trust might fit in with your financial strategy? Talk with your financial professional, or visit Thrivent Trust Company at **Thriventtrust.com** or Ronald Blue Trust, a division of Thrivent Trust Company, at **ronblue.com** to learn more.

[1]What is a Trust? | A Guide to Types of Trusts and Their Purposes (Internal Revenue Service)

[2]Understanding Living Trusts (LegalZoom)

[3]Irrevocable Living Trusts (Nolo)

[4]The Top 5 Benefits of a Living Trust (LegalZoom)

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