Trusts Are Not for the Wealthy Only
(Ghostwritten, published as a newspaper column by a Certified Financial Planner)

Contrary to popular belief, you do not need to be super-wealthy to set up a trust fund. Even if your asset base doesn't measure up to the Bill Gates standard, you may consider using trusts in estate planning because they can help your heirs in many different ways.

A trust is a legal arrangement by which you transfer assets to a trustee who holds those assets "in trust" for third parties. As the trust grantor, you designate both the trustee and the beneficiaries. Trustees most often are family members, attorneys or professional financial advisors.

There are many different types of trusts, but the two basic kinds are revocable (or "living") trusts and irrevocable trusts. They are what they sound like: You can change the terms of a revocable trust, but an irrevocable trust can only be altered if the beneficiaries agree. Irrevocable trusts offer tax and other benefits that revocable trusts do not provide.

While a will also ensures that your assets are passed on according to your wishes, a trust can accomplish far more. Here are some reasons people establish trusts:

- Avoid, minimize or delay estate taxes, transfer taxes or income taxes.
- Protect assets from creditors.
- Allow heirs to avoid going through the probate process and avoid court fees.
- Control how assets will be disbursed or invested, useful if an heir is a child or a person deemed unable to handle assets responsibly.
- Protect premarital assets from being divided in case of a divorce.
- Shelter assets for descendants if your spouse remarries after you die.
- Facilitate business succession planning and manage business assets.
- Establish a legacy of charitable giving.

In short, a trust allows you to pass on your assets quickly and privately while eliminating expenses for your heirs, and to manage who benefits from your assets, when and how.

Setting up a trust with an attorney likely will cost about $1,000 to $1,500 for the simplest type, rising to several thousand dollars for more complex scenarios. However, these costs are most likely to be recouped in the form of savings produced by the trust.

If you think a trust may benefit you and your heirs, the first step is to define the goals of the trust. Then determine which type of trust best serves those goals, and what type of trustee is needed: a person or an institution. The trustee will be responsible for managing, investing and distributing the property in the trust. Keep in mind this job involves record keeping, filing tax returns and solving conflicts.

Many people name a family member because they trust that person, and sometimes because a family member won't charge for their services. However, family members may lack needed expertise, and the alternative is to name a professional (an accountant or attorney) or an institution (a bank or trust company).