

Strategic asset management with a revocable living trust

Developing a sound investment management strategy is more than allocating assets and diversifying among the various asset classes. It is also about attaining your financial goals in life. The long-term security of your family is likely to be a key goal. To reach it, you want to ensure that your assets will continue to grow—providing the income that your loved ones will need to live comfortably, should you not be able to provide for them. And one of the most valuable resources available to help you achieve that goal of long-term financial security is a revocable living trust.

Living trusts: the facts

A revocable living trust allows you to arrange for the management of your assets both while you are alive and after you are gone. By establishing your trust now, you may be able to reduce the stresses and strains that your family may experience when they are forced to make difficult financial and investment decisions after you're gone.

Think of a trust as a container, a place where you can transfer your securities, real estate or other property. This transfer is accomplished by making the trust the new owner of your assets. However, you retain control while you live, and you can direct what happens to the assets after you are gone, or are unable to make the necessary decisions about their management. These instructions are contained in a trust agreement that will be implemented and administered by the trustee that you name to oversee the trust.

Neither the instructions in the trust agreement nor the trust itself need have a permanent life. The directions that you give today may be altered in any way, at any time. The trust itself, if necessary, can be revoked, and your assets transferred back to you.

A strategy designed to your specifications

Your trustee will serve as the manager of the trust's investments. When you name a corporate trustee, such as our institution, we can assist you in developing the strategy that will best serve you and your family, based upon your personal circumstances. For example, we will review your long- and short-term objectives, your risk tolerance, liquidity needs, tax considerations and a host of other variables in order to make certain that the investment choices made match your needs and expectations.

When we assist you in formulating and developing an investment management

strategy, you may delegate to us in the trust agreement the authority to execute all of the investment decisions. Alternatively, you can require us to submit recommendations for your approval. In all cases, as trustee, we will be responsible for all the paperwork and chores associated with the management of your assets.

Here's an added benefit, and it's an important one: By setting up a living trust now and naming us to serve as your investment manager, you can "preview" our performance. By observing our actions now, you will have the peace of mind of knowing that you will be leaving a capable, knowledgeable investment advisor to serve your family later.

Just in case

If you haven't yet made the decision to integrate an "active" living trust into your current financial plans, you may want to look at an alternative—a standby trust.

A standby living trust offers you the opportunity to achieve a high degree of protection for yourself and your family should you become ill or incapacitated. Yet you maintain total control of your investments. The trust is activated only when you are unable to manage your investments, and only for as long as necessary.

In addition, the trustee can be directed to use the trust's assets to pay household bills and taxes, for example. At a time when your loved ones are apt to be burdened by concerns other than financial ones, they will have the confidence of knowing that professionals are managing the family's finances in your absence.

Additional protection: an estate planning strategy

When you establish a living trust, you designate two types of beneficiaries. There are the income beneficiaries (typically, yourself and your spouse), who receive regular payments of the trust's income or principal as outlined in the trust agreement. At the termination of the trust—at your death or some other specified time—those whom you name as your remainder beneficiaries will receive the assets in the trust. But the trust may continue beyond your lifetime, and become an integral part of your estate plan. There are good reasons for coordinating a will and a living trust.

A living trust can operate as a highly efficient organizational tool, providing a unified approach to the management of your assets. For instance, assets such as the proceeds from a life insurance policy or a retirement plan may be paid to a living trust that you have established and which, at your death, becomes irrevocable.

As a result, you can ensure that your family will have a continuous, uninterrupted flow of income. In addition, you can set up an orderly distribution plan for your assets, either over a certain number of years or keyed to certain circumstances.

Finally, having all of your assets “under one roof” will make it easier for your spouse and other beneficiaries to keep track of how the family’s assets are being managed and to know where to turn with questions or concerns.

Additional benefits

At your death the assets in your living trust will not be subject to the potential delays and costs associated with the probate process. In addition, although the terms of your will can be made public, a trust is a private document and, generally, escapes public scrutiny.

This latter point can be especially important in the event that you become disabled and cannot manage your financial affairs. Contrast the privacy of a standby living trust, which springs into action immediately and without fanfare, with the potential for publicity, time and expense when formal conservatorship proceedings must be commenced in a probate court setting.

In sum, then, a revocable living trust offers a wide range of features and benefits that can help you reach the goal of securing your family’s financial future. If you would like more information about how a revocable living trust can be shaped to your financial goals and needs, call upon us at any time.

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Any developments occurring after January 15, 2007, are not reflected in this article.