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The Benefit of Trusts –

Normally associated for the super wealthy Trusts can now play a role in everyone's planning decisions; from accumulation of wealth to distribution of wealth. Let's talk about some of these; there's the Testamentary Trust which goes into effect on death; the Intervivos Trust, or Living Trust effective during your lifetime which can be permanent (irrevocable) or cancelled (revocable); there's a Special Needs trust that can benefit a child with a disability to continue to be eligible for public assistance based on assets and income; the Charitable Remainder Trust is a wonderful way to grant gifts to a charity while retaining the annual income earned. For those with substantial resources a flip side of the charitable trust is a Charitable Lead Annuity Trust or (CLAT). This gives the charity current annual income, with the beneficiaries getting the remainder, at termination. One useful trust to avoid estate taxes is a (GRAT) or Grantor Retained Annuity Trust. With this the grantor places assets in the trust and receives a fixed annuity for the term of the trust, and at its end, your heirs receive what is left in the trust free of estate tax. These are just a few of the basic trusts one can use to arrange their financial affairs during ones lifetime.

An alternative to a Special Needs Trust is a (QTIP) trust or Qualified Terminable Interest Property Trust. This trust can be useful for individuals encountering divorce, second marriages, stepchildren and even death by specifically clarifying who gets what. For example, if after your death, you wanted to protect assets from going to your spouses' newly acquired stepchildren from remarriage, this trust can avoid that problem. A useful trust to accumulate wealth in your lifetime while providing creditor protection can be the (ILIT) or Life Insurance Trust. This could benefit someone desiring to shield life insurance proceeds from estate taxes while still providing a spouse access to annual principal and income payments until the trust passes to the beneficiaries. Of course with all the trusts there are benefits and drawbacks; such as tax considerations, affordability, loss of control, and ultimate cost to enact. However, trusts can and do play a vital role in a persons financial picture.

If you are wondering if trusts can play a vital role in your financial structure, give us a call today and let us help you blend a range of tax and investments strategies to make trust planning work for you.