

# PLANNING WITH CONFIDENCE

Simplified Trust Solutions





Named the largest of America's Most Advisor-Friendly Trust Companies by *Wealth Advisor* magazine,\* we are dedicated to serving families and individual clients, along with your trusted partners, by providing expertise across all aspects of trust administration. Our competitive advantage is to deliver fully integrated administrative trust services to you in a seamless manner while maintaining your relationship with your trusted financial professional.



\* Based on total assets, as reported in *Wealth Advisor* magazine, April 2023





# WHAT IS A TRUST?

A trust is your instructions for the management of all or part of your property. An attorney who represents you and has expertise in the area of estate planning should create your trust.

The trust document describes:

- How you want your assets managed and eventually distributed
- Who you want to benefit from your assets now and in the future
- Who you want to be responsible for carrying out these instructions

## What Can a Trust Do for You?

A trust can provide a measure of comfort, knowing you have a plan in place to help provide for the safe and accountable management of family assets and to direct their use in accordance with your wishes, goals, and objectives.

A trust is used to help ensure the proper management of your assets throughout the different stages of your life:

1. During your lifetime, placing assets in a trust allows you the freedom to continue managing your assets or to devote time to other priorities while ensuring the avoidance of probate and providing privacy. A trust created and funded during your life is generally called a “living” or “revocable” trust.
2. In the event you’re incapacitated, a trust can help ensure your needs are met and your finances are kept in good order for your benefit.
3. Upon your death, a trust becomes “irrevocable,” and your assets are managed and distributed by your trustee, in accordance with your instructions throughout the trust’s existence.
4. An estate planning attorney may recommend creating an irrevocable trust during your lifetime, in addition to a revocable trust. This may provide creditor protection, controlled giving to family members, or estate tax minimization.

# THE BENEFITS OF A TRUST



## A trust can help:

- Provide an orderly means of administering your personal and financial affairs should you become incapacitated, or upon death.
- Ensure your assets are managed for the benefit of your heirs, according to your wishes.
- Manage your estate tax exposure and avoid probate costs.
- Provide for a relative or disabled child after your death.
- Protect assets from a creditor's claims.
- Assemble a tax-advantaged charitable gift.

A trust provides protection for family members who may be unaccustomed to dealing with financial matters. It can offer protection of assets in case of divorce or other litigation. A trust can assure funding is available for specific needs, such as education, healthcare, or charitable interests. A trust provides a framework in which money is managed in a predictable fashion, by people you choose, according to standards you set. A trust creates guidelines for current and future distributions that reflect your wishes.

A trust may also have substantial tax benefits and provide an expedient method to transfer assets.

## How Does a Trust Work?

There are two basic types of trusts. Revocable or living trusts are the foundation of many clients' estate plans. An irrevocable trust is used for many specific transfer and tax benefits and to handle assets after you've passed away.

### Revocable or Living Trust

A revocable or living trust is a trust you can change or cancel during your lifetime. You control a revocable trust, and the trust's earnings are consolidated into your income tax returns. You may continue to manage the assets, or your financial professional will manage your assets under your supervision and upon your disability.

Similar to a will, a revocable trust can also be used to transfer assets at death, yet without the formal, court-supervised process of probate. In many states, the probate process is slow and expensive, and also opens your estate to public scrutiny. Once you pass away, your wishes are final and thus the trust becomes irrevocable.

### Irrevocable Trust

An irrevocable trust is a trust that cannot be changed or cancelled at any time. It's a separate legal entity and its own taxpayer. The terms of many irrevocable trusts, however, allow tremendous flexibility. While many irrevocable trusts come into being at death, irrevocable trusts set up before death are often used to hold life insurance policies, gifts of assets to be made available to beneficiaries at a future time, or funds for future charitable contributions. To achieve beneficial tax results, many irrevocable trusts are written to follow patterns based on the rules in the Internal Revenue Code. The structure most suited to your needs can best be determined with the help of financial, legal, and tax professionals who specialize in these fields.

# A VARIETY OF TRUSTS TO MEET YOUR NEEDS

Different kinds of trusts are designed to meet different objectives. For example, if your goal is to ensure privacy in the settlement of your estate, to centralize control of assets, or to take full advantage of estate tax credits provided by the IRS, you might choose a living or revocable trust.

## Living Trust

A living or revocable trust allows you to remain both the trustee and the beneficiary of the trust while you're alive. You maintain control of the assets and receive all income and benefits. Upon your death, a designated successor trustee manages and/or distributes the remaining assets according to the terms set in the trust, avoiding the probate process. In addition, should you become incapacitated during the term of the trust, your successor or co-trustee can take over its management.

## Special Needs Trust

A special needs trust is typically designed to benefit a disabled individual. Instead of giving assets directly to the beneficiary, assets are transferred to a special needs trust by family members or as damages paid because of a lawsuit, and those assets are available for the beneficiary without disqualifying him or her from government programs, such as Social Security income and Medicaid. A special needs trust provides for supplemental care—which consists of items over and above necessities like housing, food, and clothing—and benefits the government provides.

## Survivor's Trust

A survivor's trust is a trust created by an individual during life, and becomes irrevocable (cannot be changed) after his or her death, to provide for a surviving spouse, domestic partner, or other loved one(s). "Survivor's trust" is a general term for a variety of common trusts, including trusts referred to as an A trust, marital trust, B trust, family trust, bypass trust, or credit shelter trust, among others. No matter what the type of trust, tax provisions, or family situation, individuals naming The Private Trust Company, N.A. (PTC) to serve as trustee of their survivor's trust can take comfort in knowing it will administer their survivor's trust for the benefit of loved ones competently, according to their wishes, and in the best interest of the significant others they leave behind.

*(continued on next page)*



**The Private Trust Company offers administrative services for the following types of accounts:**

- Revocable or living trusts
- Irrevocable trusts
- Charitable remainder trusts
- Charitable lead trusts
- Special needs trusts
- Life insurance trusts
- Trusteed IRAs
- Agency
- Custodial and escrow
- Private foundations
- Guardianships
- Estate settlement



**All trusts, revocable and irrevocable, have three parties involved:**

1. The person who creates the trust (grantor)
2. The person or firm that is responsible for the trust (trustee)
3. The people or charities that benefit from the trust (beneficiaries)

It's important to consider who you want to manage your assets and who will benefit from the trust, both now and in the future.

## Charitable Lead Trust

To help benefit your favorite charity while serving your own trust purposes, you might consider a charitable lead trust (CLT). This trust lets you pay a stream of income to a charity from a particular asset for a designated amount of time, after which the principal goes to the beneficiaries, who can receive the property free of estate taxes.\*

## Charitable Remainder Trust

Another charitable option, the charitable remainder trust (CRT), allows you to receive a stream of income and a tax deduction at the same time, and ultimately leave assets to a charity. Through this trust, the trustee will sell the donated property or assets, tax deferred, and establish an annuity payable to you, your spouse, or your heirs for a designated period of time. Upon completion of that time period, the remaining assets go directly to the charity. Highly appreciated assets are typically the funding vehicles of choice for a CRT.\*

## Generation-Skipping Trust

If you want to leave money to your grandchildren, you might consider a generation-skipping trust. This trust can help preserve your generation-skipping transfer tax exemption on bequests to your grandchildren and avoid the tax on bequests exceeding that amount, which can be up to 45%.

## Irrevocable Life Insurance Trust

An irrevocable life insurance trust (ILIT) is often used as an estate tax-funding mechanism. Under this trust, you make gifts to an irrevocable trust, which in turn uses those gifts to purchase a life insurance policy on you. Upon your death, the policy's death benefit proceeds are payable to the trust, which in turn provides cash to help beneficiaries meet estate tax obligations.\*

## Trusteed IRA

Also known as an individual retirement trust, a trustee IRA is a trust account that provides preservation and control of your IRA assets. It allows you to combine your estate planning and retirement goals within a single framework.

\*Please consult your attorney or tax advisor for income and gift tax consequences.

# ROLES OF YOUR FINANCIAL PROFESSIONAL

Your financial professional's role is to support everyone, not to replace anyone. Your financial professional will work with you and your tax and legal advisors, helping to coordinate and communicate your complete financial picture. The drafting of your trust document will be done by your estate planning attorney. PTC is available to administer your trust once it's properly drafted. You can continue to benefit from the judgment of your trusted financial professional, while your family's wealth is protected by a knowledgeable trustee.

## The Trustee: A CEO for Your Estate

The trustee's role is to administer and distribute the assets in the trust according to your wishes, as expressed in the trust document. There are three primary elements to the trustee's role:

### Custody of Assets

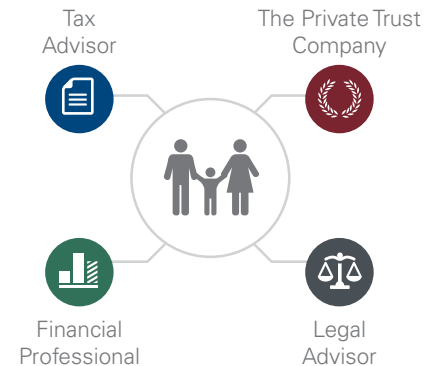
The custodial role is that of a financial secretary and security guard. The trustee must identify and then take title to the trust's assets, keep accurate records, report to the current beneficiaries, execute and settle all transactions, protect and insure the property, and defend the trust against claimants. The trustee oversees the preparation of appropriate tax returns and all of the trust accounting in compliance with complex state and federal laws.

### Asset Management

The trustee is ultimately responsible for the preservation and investment of assets in the trust, ensuring that invested assets are productive and managed appropriately given the trust's objectives. The trustee has the legal responsibility to reassess the objectives of the trust and current market conditions at least annually, and to be sure that the investments match those objectives. Trustees will often hire professional managers to handle day-to-day specialized activities, such as real estate management. The day-to-day investment management is delegated to your trusted financial professional.

### Administration

The administrative role is central to carrying out your wishes regarding the use of assets in the trust. The trustee carries out your directions and follows your guidelines in handling the specific circumstances of each request for funds from trust beneficiaries. This involves legal interpretation of the language in the document and appropriate input from family members. Experienced and objective trust administration and recordkeeping are vital components to implementing your plan. The day-to-day relationship management is also handled by your trusted financial professional.



### Our focus is on building relationships

We know this requires more than deep knowledge, experience, talent, and education. It requires dedication to providing consistently high-quality service at every level of our operations and administration, and a steadfast commitment to excellence and our governing principles:

- Honesty
- Integrity
- Objectivity
- Transparency
- Personal responsibility



# WHY USE A PROFESSIONAL TRUSTEE?

Trustees may have to make tough decisions that might not be popular with all your beneficiaries. After all, the trustee is carrying out your instructions, not your beneficiaries' wishes. This can be a difficult role to fulfill for a family member, who may not be objective or may wish to act in a manner that avoids hard feelings within the family, rather than carrying out your instructions. Also, few family members have investment management skills or expertise in fiduciary law and practice. Family members can be given important advisory roles, such as in approving disbursements or other exercises of discretion.

## The Benefits of Naming a Professional Trustee Include:

- Objective loyalty and independence to carry out your wishes
- Knowledgeable management, protection, and defense of trust assets
- Experienced oversight of the investment process to be carried out by your financial professional
- Timely and accurate statements of the account to keep you and all current beneficiaries informed
- Consistent annual reviews
- Accountable collection and prudent distribution of income and assets
- Tax reporting, filing, and comprehensive regulatory compliance on behalf of the trust



# WHY USE PTC?

PTC partners with you and the financial professionals you rely upon to assist you in carrying out your wealth management and legacy planning goals at every stage of your life. While your financial professional generally cannot serve as your trustee, with our unique model, your financial professional can continue to provide advice and manage trust assets, allowing you to benefit from checks and balances and a consistent approach across your wealth management and investment strategies.

## Advantages of Choosing PTC:

- PTC offers maximum flexibility, working with clients and their financial professionals. Choose to work exclusively with your financial professional, or work collaboratively with the full expertise of the PTC team.
- Integrating seamlessly into your wealth management team, PTC keeps the process of delivering key communication and statements running smoothly between clients and financial professionals.
- PTC helps clients develop written investment policy statements so all parties have a clear and consistent understanding of goals, objectives, and guidelines for the trust.
- PTC reviews accounts regularly and revising investment policies to reflect changes to the portfolio, client circumstances, and financial markets.
- Experienced and knowledgeable trust officers bring backgrounds in law, accounting, banking, investment management, tax, and business.
- Trust officers are friendly, discreet, and sensitive to family dynamics.
- A team of trust officers and trust specialists are available to you and your financial professional when you need them.
- Chartered as a national bank, PTC is devoted solely to trust services for families.
- PTC provides trust services in all 50 states.
- As a subsidiary of LPL Financial Holdings, Inc., we are backed by substantial resources and a long-term commitment to independent financial professionals and their clients.

# SERVICES OFFERED



Trusts are not simply one aspect of our business. They're our sole business. We don't try to be all things to all people. We have one area of expertise: helping families implement their estate plans and carry out your financial wishes. We do this in a unique way—by engaging the team of professionals with whom you already have relationships.

PTC serves in an administrative corporate trustee role and makes sure that trusts are managed and distributions occur according to the terms of the trust document. PTC also serves in an administrative corporate trustee role for all recordkeeping, accounting, and tax preparation services for trusts.

PTC does not provide day-to-day investment management for trust assets. Instead, we enable clients to maintain their relationship with their financial professionals for investment management.

## Trust Administration: Serving as Trustee or Co-Trustee

The trust administration role is central to carrying out your wishes regarding the use of assets in the trust. The trustee carries out your directions and follows your guidelines in handling the specific circumstances of each request for funds from trust beneficiaries. This involves legal interpretation of the language in the document and appropriate input from family members, as well as conformance with appropriate and applicable state trust codes. Experienced and objective trust administration is a vital component of implementing your plan.

## Estate Settlement Services

Estate settlement is the process of settling an estate through a trust, a traditional probate estate, or a combination of both. Your financial professional will lead you through the process with the expertise of PTC. We are committed to delivering administrative trust services in a seamless manner—helping you maintain and strengthen your financial picture and transfer assets at death to the ones that mean the most.

## Agent for Individual Trustee

Individual trustees can retain complete control over a trust and simply outsource many administrative duties to PTC. It's often viewed as an honor to serve as trustee of a trust established by a loved one or friend. However, quite often the administrative duties can be time consuming, overwhelming, or burdensome. PTC can assist an individual trustee by serving as agent for trustee. With the trustee maintaining complete control over investment management and discretionary distribution responsibilities, we can provide review of the trust agreement and assets, trust accounting, distribution activity, transaction reporting, investment monitoring, and tax services (including the preparation of appropriate tax returns and all of the trust administration in compliance with complex state and federal laws). We also provide any required accountings to be filed with local courts, regular maintenance and execution of scheduled or recurring payments as authorized or directed, and assistance with the proper determination of income or principal characteristics for transactions paid as stipulated in the trust agreement or state law.





# COMPARING TRUSTEE CHOICES

Your choices of a trustee or successor trustee may include a family member or friend, a financial professional such as an attorney or CPA, or a corporate trustee. Each choice offers specific advantages and disadvantages. It may be helpful for you to consider these choices in the context of the duties of the trustee and the desired qualities outlined below.

	Family Member	Professional Advisors (Attorney or CPA)	Corporate Trustee
<b>Duties</b> Trustees must either perform or contract for services required by the trust.	Contracts for legal, accounting, investment, and other services	Administers own area of discipline; contracts for other services	Most services bundled in turnkey package; contracts others
<b>Ability and Willingness to Serve</b> Trustees cannot foresee their personal situations in the future. A trustee's duties may extend for many years.	Risk of personal conflicts or preceding you in death	Risk of personal conflicts, retirement, or preceding you in death	Established specifically to provide continuous service; potential for some organizational risk
<b>Commitment</b> Varies according to each trust relationship, but may be demanding.	Generally high level of commitment, but risk of conflict	Retirement or change in professional relationship may dilute level of commitment	High level of commitment, core business function
<b>Competence</b> Varies in fiduciary expertise.	Not usually area of expertise	May not be area of expertise	Core business function; professionally trained
<b>Cost</b> May span a wide range based on expertise and fees of trustee.	Generally no cost for administration; high cost for contracted services on an à la carte basis (reporting, legal, tax)	Trustee may charge fee for administration and own area of discipline; contract other services on an à la carte basis	Most services bundled in cost-effective turnkey package; others contracted in volume to lower costs
<b>Experience</b> May span a wide range based on specific trustee.	Varies by individual background	Typically significant experience in own area of discipline; administrative skills less certain	Provides professional staff that possesses trust experience and skills
<b>Objectivity/Freedom from Conflicts</b> Trustee's interests may conflict with beneficiaries'.	A common source of discord among siblings; may have conflicts if also named a beneficiary	May make decisions involving payments for own professional services and have other family roles	Objective interpretation of trust document and administration

# HOW DO I GET STARTED?

Increasing numbers of Americans are discovering the potential benefits of a trust—how it can help protect their assets, reduce their tax obligations, and define the management of assets according to their wishes in a private, effective way. Your financial or legal advisor can help you evaluate a certain type of trust to determine if it may be appropriate for your circumstances.

## Next Steps:

1. Discuss your goals with your financial professional, who can help determine whether a trust may be right for you.
2. Have your estate planning documents drafted by your attorney, incorporating sample language PTC provides to ensure flexibility in using your choice of financial and family professionals to work with the trustee.
3. Name PTC as trustee, successor to the trustee, or estate representative.
4. Work with your financial professional to establish a trust account and transfer appropriate assets into it.
5. Enjoy the comfort of knowing your wishes will be carried out.

For additional information and questions, please visit us at [www.theprivatetrustcompany.com](http://www.theprivatetrustcompany.com)

Unlike many companies offering trust services, trusts aren't simply one ancillary aspect of our business. The administration of personal and charitable trusts *is our sole business*.



# GLOSSARY OF TERMS

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**Administration:** The management of a decedent's trust or estate including the payment of expenses, debts, and obligations, and the general settling of the trust or estate. Also known as an estate or trust settlement.

**Administrator:** An individual or entity, such as a trust department, appointed by a court to settle the estate of a person who has died without leaving a valid will.

**Beneficiary:** Person or entity entitled to receive benefits from a will, insurance policy, trust agreement, or employee benefit plan.

**Charitable remainder trust (CRT):** An irrevocable trust with both income and remainder interest. Income is paid to designated beneficiaries for a term or lifetime. The remainder interest is paid to qualified organizations as specified in the trust document when the trust terminates.

**Corporate trustee:** A trust institution serving as trustee.

**Durable power of attorney:** A power of attorney that will come into effect and remain in effect and valid if the person who grants the power becomes incapacitated.

**Estate:** The real and personal property of a decedent; a specific interest in property.

**Executor or Personal Representative:** Person or entity charged with settling a deceased person's probate estate per the terms of their last will and testament or if none exists, by the laws of intestacy of the decedent's last state of residency.

**Fiduciary:** An individual or entity in a position of trust who has accepted the duty of acting for the benefit of another.

**Grantor/settlor:** A person who transfers property; the creator of a trust.

**Individual retirement account (IRA):** Used to accumulate assets until retirement with income tax-deferred treatment.

**Irrevocable life insurance trust (ILIT):** Typically used to shelter an insurance death benefit from estate taxes and may provide liquidity to pay estate taxes and settlement costs. A trust is created, then the trust purchases and owns a life insurance policy. Upon death, the insurance proceeds are paid out in accordance with the terms of the trust.

**Irrevocable trust:** A trust that, by its terms, cannot be revoked or changed by the grantor.

**Living trust:** A revocable trust that's operative during the lifetime of the grantor, as opposed to a trust under will or a testamentary trust. Also known as an *inter vivos* trust.

**Power of attorney:** A legal document appointing someone to act as one's agent with legal authority to sign your name, on your behalf, in your absence. Power of attorney ends at incapacity (unless it's a durable power of attorney) or death.

**Probate:** The legal process wherein the estate of a decedent is administered, which includes the process of proving the validity of a will in court and executing its provisions under the guidance of the court. Assets in trust avoid probate.

**Remainderman:** The person who is entitled to an estate after the prior estate has expired.

**Revocable trust:** A trust that, by its terms, may be terminated by the settlor or by another person.

**Successor trustee:** The person or institution named in the trust document who will take over should the first trustee die, resign, or otherwise become unable to act.

**Trust:** An entity that holds assets for the benefit of certain persons or entities.

**Trustee:** Person or institution that manages and distributes another's assets according to the instructions in the trust document.

**Will:** A written document with instructions for the distribution of an individual's assets after death.

Neither The Private Trust Company, N.A., nor its affiliate LPL Financial, nor its registered representatives provide tax or legal advice. Please consult your tax or legal advisor.







For additional information and  
questions, please visit us at  
[www.theprivatetrustcompany.com](http://www.theprivatetrustcompany.com)