

## More to Estate Planning than Revocable Living Trusts

Revocable Living Trusts (RLT) are often extolled as the be-all and end-all of your estate planning needs. Avoiding probate is a worthwhile goal- but it should not be the ONLY goal. For example, outright inheritances passed down to family members can have detrimental and life-altering consequences are far worse than experiencing the probate process. It does not matter how old the child is or the amount of the inheritance. If a child gets divorced or goes bankrupt, the inheritance could be lost.

Trusts have multitude of uses and benefits that can easily fit into your basic Will. These trusts are called testamentary trusts. They do not require current administration or funding. They only come into existence upon death because of the directions left in your Will and are a lot less expensive to prepare.

Here is a brief overview of the 3 ways an inheritance can be protected from impulse spending, divorce, bankruptcy or poor decision making:

1. **Convenience Trust:** is where the inheritance is held in trust created at your death, but the child can withdraw the trust assets at any time and for any reason. There may be an independent trustee or the child may be their own trustee. Since no one can force the child to withdraw the income and principal from the trust, the convenience trust offers some creditor protection, and perhaps a mental barrier to withdrawing the trust's assets, but not much else. This also can act as a separate property trust, so that the child's spouse cannot access the inheritance.
2. **Speed bump Trust:** is where the inheritance flows into a trust, usually with an independent trustee, which is managed for the benefit of the child. At certain intervals in the child's life, a portion of the trust's principal is released to the child. For example, one third of the principal is paid to the child at age 30, one third at 35 and the remainder at 40. They still have access to income and principal for health, education and other guidelines you structure, but you can leave your children a powerful message with this type of trust - "don't blow the inheritance!"
3. **Lifetime Trust:** This type of trust holds and manages the child's inheritance for the life of the child. An independent trustee is usually chosen to manage the trust and many times the child can serve as co-trustee. Principal and income may be distributed according to various guidelines and incentives that the parent provides in the trust document. These guidelines act as a spigot or faucet: adhere to the guidelines and philosophies of the trust and assets will flow; get into trouble and the trustee can turn the spigot off.

In either of the above testamentary trusts, once the child dies, any remaining assets can pass to the child's heirs or other individuals or entities. The lifetime trust provides the most flexible vehicle and also provides the greatest degree of asset protection, including protections against divorce, bankruptcy and lawsuits such as malpractice or personal injury.