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RightRisk™

RightRisk News

How Much Risk is Right for You?

Dates to Remember

Margin Protection Program Dairy (MPP-D)
- 2019 crop year
July 1 - Sept. 30th, 2018

Forage Insurance
- September 30th

RI-PRF Coverage
November 15th, 2018 for 2019 crop year coverage

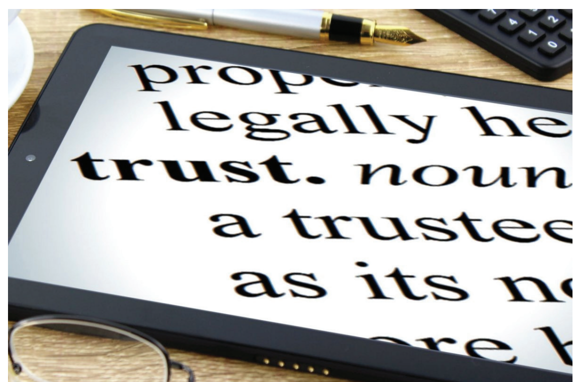
Acreage Reporting:
- November 15th

For more information see:
http://www.rma.usda.gov
http://www.fsa.usda.gov

What is a Trust and Why Would I Want One?

All people, regardless of financial status, will have an estate when they die. Generally, an estate is a person's net worth in the eyes of the law. Assets of an estate include bank accounts, home, vehicles, investments, licenses, social media accounts, businesses, life insurance policies, retirement accounts, and other items owned by the person. An estate may also include mortgages and other debts.

An *estate plan* is an organized method for distributing one's assets and liabilities after the person dies and provides instructions for end-of-life decision making. It often consists of several documents indicating how a person wants to distribute his or her estate, future operations of a business, and instructions for health care and end-of-life decision making.



Public Domain, Trust by Nick Youngson CC BY-SA 3.0 Alpha Stock Images

What is a Trust?
A trust is a *fiduciary* (Latin meaning trust) relationship in which a trustee holds legal title to specific property with the fiduciary duty to manage, invest, safeguard, and administer the trust assets and income for the benefit of designated beneficiaries who hold *equitable* (legally valid) title. Trusts can be arranged in many ways and may specify exactly how and when the assets pass to the beneficiaries. Regardless of the type of trust, all trusts are either revocable or irrevocable.

Revocable trusts are those in which the person for whom the trust is developed – called a *grantor* – retains the power to modify, amend, or revoke the trust in part or in whole. This power is specifically reserved to the grantor in the trust instrument. *Irrevocable trusts* are those in which the grantor may not make any changes to the terms of the trust after its execution and may not regain title to the trust property.

When does a trust take effect?
A *testamentary trust* is a trust created to take effect upon the grantor's death by including a gift in trust in the grantor's will (Testament). The split of title and the imposition of duties does not occur until the grantor dies, making it a testamentary trust. A precondition to the validity of a testamentary trust is for the will itself to be valid.

COMMON ESTATE PLAN DOCUMENTS

- Last Will and Testament
- Living Will
- Healthcare Power of Attorney
- Financial Power of Attorney
- Trust

An *intervivos trust* (living trust) is a trust created by the grantor to take effect while the grantor is still alive. An intervivos trust can be for the benefit of the grantor as well as for others. Moreover, a grantor can also be trustee of their own intervivos trust while still alive.

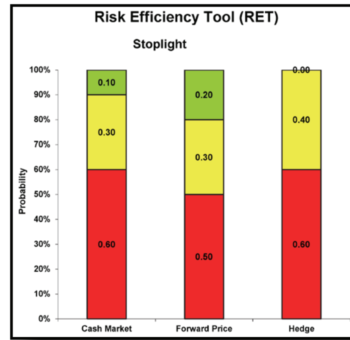
Who are the Parties to a Trust?
There are a three primary people involved in a trust – grantor, trustee, and beneficiary.
- *Grantor* (or settlor) – the person who creates a trust by splitting title and imposing fiduciary duties.
- *Trustee* – the person who holds legal title to the trust property. The trustee has all of the duties, responsibilities, and liabilities associated with property ownership, but receives none of the benefits of that ownership.
- *Beneficiary* – the person who holds equitable title to the trust property. The beneficiary is entitled to enjoy the trust property, but typically has no control over the trustee or how the trustee manages the legal title to the property.

What are the purposes of a trust?
There are several reasons why a person might want to create a trust, incliuding:
- *Estate Tax Planning*: If a trust is properly constructed, the trust can maximize use of exemptions available from

Highlighted Tool

The Risk Efficiency Tool uses Stochastic Efficiency with Respect to a Function (SERF) analysis and the stoplight graphical approach to rank alternatives for all levels of risk preference. The Risk Efficiency Tool is designed to compare three management alternatives. It comes with sample data already entered into each Excel worksheet.

For more information on *Ag Survivor*, see RightRisk.org > Products > RiskNavigator > Toolbox > Risk Efficiency Tool.



What is a Trust? continued from pg. 1

federal estate tax. A trust can be a useful tool in reducing the value of the grantor's taxable estate, thereby reducing or potentially eliminating estate tax liability.

- *Medicaid Planning*: To prevent depletion of one's estate caused by the cost of long-term care, an irrevocable Medicaid trust can be a useful tool allowing a grantor to qualify for Medicaid insurance coverage.
- *Minors*: Minors lack legal capacity to manage property and usually do not have sufficient maturity to do so. A trust permits the grantor to make a gift for the benefit of a minor, without giving the minor control over the property or needing to include restrictions to limit a minor's access to the assets until a specified age.
- *Special Needs*: A special needs trust can help transfer money or property to a beneficiary with a disability, without jeopardizing that beneficiary's ability to receive Supplemental Security Income or Medicaid benefits. The trustee cannot give money directly to the disabled beneficiary but can use special needs trust funds to pay for common disability-related expenses, such as personal care attendants, out-of-pocket medical and dental expenses, and physical rehabilitation.
- *Spendthrift*: Some individuals may be competent to manage property but are prone to use it in an excessive and frivolous manner. By including properly-drafted spendthrift trust provisions, a grantor may protect the trust property from the beneficiary's own excesses, as well as the beneficiary's creditors.
- *Charitable trusts*: Charitable trusts must be written so as to benefit the public, whether for the relief of poverty, the advancement of knowledge, education, or religion, the promotion of health, or the accomplishment of governmental purposes.

Summary

A trust can be a useful tool when developing and carrying out an estate plan. There are many types of trusts, each with its own strengths and weaknesses. Further, they can be complicated and laws vary significantly by state. Individuals should seek professional counsel when considering a trust as an estate planning tool.

RightRisk™

RightRisk helps decision-makers discover innovative and effective risk management solutions.

- Education
- Coaching
- Research

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RightRisk News is brought to you by the RightRisk Team

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How much risk is right for you and your operation?

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