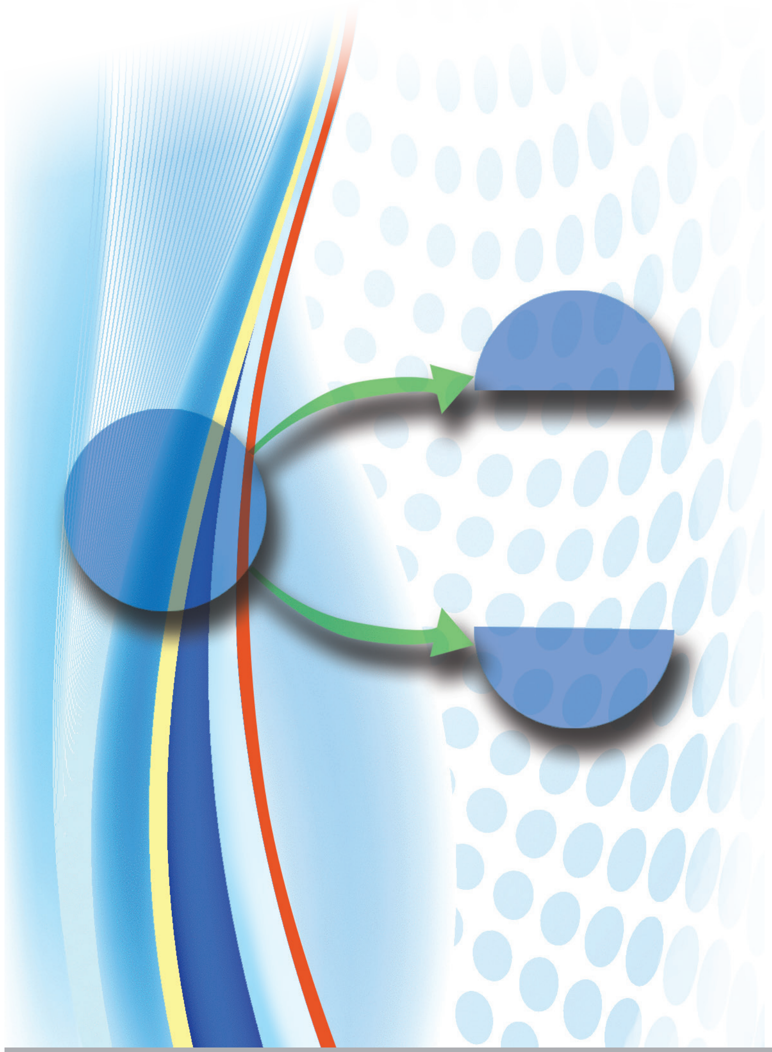
Using a living trust to designate beneficiaries doesn't eliminate entirely the need for a will, because you're not going to put everything in trust. Most likely, though, you would need only a brief and unrevealing will to tie up the loose ends of your estate.

The use of trusts involves a complex web of tax rules and regulations. You should consider the counsel of an experienced estate planning professional before implementing such strategies.

Choice of trustee

We recommend looking to a corporate fiduciary, such as a bank trust department, for your trustee services. These organizations are dedicated to managing trusts for affluent families on a daily basis. They have the staff, the training and the infrastructure to deliver top-quality service. What's more, they are closely regulated by banking authorities and are subject to the strict requirements of "fiduciary duty." That means, most simply, that they must put the financial interests of their clients ahead of their own.

What is a Trust?



What is a trust?

Personal trusts are among the most useful tools ever devised for the management and distribution of family assets. Trusts serve a wide range of functions and may be appropriate for a variety of family financial circumstances.

If you are affluent, sooner or later you'll need to consider a trust. "Sooner" may well mean setting up a trust during your lifetime, a revocable living trust, in contrast to a testamentary trust established by a will.

Prerequisites

To create a trust, the following are necessary:

- A trust grantor, which is you, the key to the planning process.
- Assets, usually stocks, bonds, mutual funds or other investments, although you may place all sorts of property in trust.
- Written instructions that tell the trustee the trust's purposes, how to manage the investments, how to distribute income and principal to the beneficiaries.
- One or more trustees who will accept the responsibilities listed in the trust agreement. You may choose an individual or a trust institution.
- Beneficiaries, which may include you as the first and foremost beneficiary for the remainder of your life. Other family members will likely be identified as successor beneficiaries.

Benefits

All trusts provide for asset management. When a corporate fiduciary (such as a bank trust division or trust company) is utilized as the trustee, investments receive continuous supervision in accordance with the plan spelled out in the trust agreement. The grantor may be relieved of a range of minor investment chores that are a matter of routine for a professional trustee.

A living trust set up for oneself provides additional benefits:

Protection upon incapacity. The terms of a living trust may instruct the trustee to provide full management of personal finances—household bills, taxes and so on—in the event that the creator of the trust becomes incapacitated. As a personal financial manager, a trustee carries more clout than someone acting under a power of attorney. Even if incapacity is prolonged, a living trust may eliminate the need to have a conservator appointed by a court.

Probate avoidance. Assets placed in a living trust may avoid probate when the trust creator dies. "Probate" is the legal process required when an estate is transferred under the terms of a will. By avoiding probate, you may reduce the delays and, perhaps, the costs associated with estate settlement.

Financial privacy. Avoiding probate also may keep your estate plan private, shielded from the prying eyes that scan wills when they are made public, an inherent part of the probate process. Normally, the terms of a trust do not need to be publicized.

Consolidated financial protection. When there are children to provide for, a business or professional person typically carries quite a bit of life insurance. He or she can have the insurance proceeds paid directly to the living trust, to be invested as part of a unified "family financial security fund" for the children.

Trusts and beneficiaries

For every wealth management problem, there is a trust solution. Here are samples of typical trusts and their uses.

Living trust	Financial management for the grantor and a spouse
Marital trust (several varieties)	Secure the marital deduction from estate or inheritance taxes and provide lifetime financial security to a surviving spouse
Family trust	Take advantage of federal estate tax exemptions and distribute financial interests among heirs
Special needs trust	Provide financial support for a disabled person
Discretionary trust	Provide heirs with beneficial interests subject to the terms of the trust, as interpreted by the trustee
Spendthrift trust	Keep family financial resources beyond the reach of the creditors of the heirs
Gifts-to-minors trust	Build a capital fund for minors while taking advantage of gift tax exclusions
Charitable trusts	Provide both private and charitable financial support in a tax-advantaged manner