

Keep Your Assets in Your Bloodlines

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There are many reasons to establish a Trust in your estate planning documents. One reason to establish a Trust is to avoid estate taxes. In recent years the estate tax exemption has increased. Presently, the federal estate tax exemption is \$2 million. As the estate exemption increases, the need to establish a Trust to avoid federal estate tax has diminished. However, there are still many important advantages to establishing a Trust in your estate planning documents.

One of the most important reasons to establish a Trust is to keep your assets in your bloodlines. Typically, parents want to leave their assets to children. Often parents specify in their estate planning documents that if a child predeceases them that said child's share passes to their children. Although individuals specify this in their Will, their objectives may not be achieved. If a child survives you, then he or she will receive their portion of the inheritance outright. Once your child receives this portion, then his or her Last Will and Testament will control where the inherited portion eventually passes upon your child's death. Typically a child's Will leaves his or her assets to their spouse if they are married. This may be inconsistent with your estate planning objectives if your desire is to leave your assets to your grandchildren, rather than a daughter-in-law or son-in-law.

A great technique to assure that this does not occur is to set up a Trust in your Will for your children. The Trust can be established irrespective of the age of your children. Typically clients associate a Trust for their children only in situations where the children are minors. However, this type of Trust can be set up in your Will to last for the duration of your child's lifetime. The Trust can specify that your child is entitled to all of the income earned by the Trust and whatever principal they need from the Trust for their health, education, welfare

and support. Your Will could establish a separate Trust for each of your children. Each child could be the Trustee of their respective Trust share. The Trust could specify that upon your child's death any assets that remain in the Trust will pass to their children.

In summary, some of the benefits of leaving your assets in a Trust for your children are as follows:

1. Leaving the assets in a Trust may provide creditor protection.
2. Leaving the assets in a Trust may provide protection in case your child subsequently gets divorced.
3. Leaving the assets in a Trust can allow you to control the ultimate beneficiary of the assets after your child dies. You can specify that the Trust funds stay in your bloodline.
4. The assets left in Trust may be excluded from your child's estate. This can save a substantial amount of Estate Tax that may apply at your child's death. Furthermore, any appreciation that occurs in the Trust from your death until the death of a child also can be removed from your estate.