

Setting Up Trusts to Protect Wealth Transfer to Heirs

You've worked hard and want to leave a legacy to your heirs that will last for them after you're gone. For better or worse, not all heirs are prepared for their inheritance and may find it difficult to manage newfound wealth. Some may even spend through their inheritance too quickly.

Create Trusts to Direct Wealth Transfer

You might consider establishing trusts to safeguard your legacy. There are advantages to restricting assets from being entirely and immediately accessed by your heirs.

Sometimes, the perception of trusts is one of overreaching. "Managing from the grave," for example, is a term with a negative connotation, implying that someone wishes to exert control indefinitely. In reality, though, the intention is to help set up the next generation for success.

Setting Up Guardrails for Younger Heirs

As most parents and grandparents will attest, during young adulthood, individuals are still developing mentally and emotionally. Trustees can help with that journey by restricting how much money their heirs (the beneficiaries of that trust) can access at a given time.

For example, every five years beginning at age 25, a younger beneficiary could be given access to one-third of the sum of money or property set aside to produce income for them. This gives the beneficiary an opportunity to use some of the funds while they are in the early stages of their career, gaining important experience in managing investments, income and spending.

Trustees can also exercise discretion to make additional principal distributions for education, the purchase of a primary residence or to finance a wedding, for example. As the heir matures, additional sums would be paid out.

Helping Spouses or Older Heirs Manage Income

In the case of a spouse or older adult who is not ready to receive a lump sum, you may wish to consider a trust that permits only income distributions and limited principal distributions. For example, the primary beneficiary of the trust may have a right to the annual income produced by the investments, along with \$10,000 of principal distributions each year, plus any additional principal distributions required for health, education or maintenance expenses. This structure allows heirs to maintain their current standard of living while limiting their ability to make short-term or potentially irresponsible financial decisions.

Establishing Trusts for Heirs With Certain Circumstances

There are additional benefits for establishing trusts for individuals, such as family members of second marriages, minor children, and individuals living with special needs or disabilities. Trusts can also be written with language that provides protection in the case of bankruptcy or divorce.

When to Establish Trusts

Many people considering whether to create a trust for their heirs may delay making a decision until they have concrete evidence about each beneficiary's level of financial responsibility. It's probably prudent to assume that your heirs will require some guidance. Putting assets in a trust allows you to provide them with security for the long term and limit the opportunity for poor decision-making.

Working with a well-qualified attorney to draft these documents can leave you with significant flexibility to ensure that you provide for your loved ones. Most trust documents can also be amended later, allowing trustees to add or remove restrictions as the needs and experiences of beneficiaries evolve.

Consult Your Wealth Team

At Mariner Wealth Advisors, our wealth advisors will collaborate with our in-house estate planning and trust services team, our tax team and will also work with outside legal counsel and other trusted professionals dedicated to protecting your assets.

We're here to help you manage your wealth during your lifetime and to create wealth transfer strategies that allow you to leave a legacy for your loved ones. We also work closely with heirs to make sure they are prepared and educated around wealth management.



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