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## **Considerations for Trust Distribution Planning**

**By**  
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One of the more critical items for estate planning clients is how to distribute their trust assets after their passing. The decision really depends on a few key items including:

1. **Who** will receive your trust distributions?
2. **How much** will each beneficiary receive with the trust distribution (i.e. often expressed as a % of assets)?
3. **How** will the beneficiary receive the distribution?
4. **What** is my contingency plan?

The 3<sup>rd</sup> question can create a lengthy discussion around considerations you might think about for your decisions. Trust distribution plans can range from a simple outright distribution after the death of the client to a much more complex combination of distributions through a beneficiary's lifetime. The correct option really comes back to what do you want to accomplish with your distribution plans? There is a growing range of questions you can consider.

**Considerations for Clients-** Following are a few questions you might consider as you create your plans:

- What level of asset protection do I want to leave my beneficiaries along with the assets? It is important to understand assets held in trust for a beneficiary can be protected against creditors, divorce and other liabilities.
- How confident am I that my beneficiaries will be able to manage receiving an inheritance of the level I plan to leave him/her?
- What external influences will impact my beneficiary's use of an inheritance (i.e. spouse, age-based influences, gambling habits, other spendthrift habits)?
- How important is it for my trust distribution to also help the next generation (i.e. grandchildren) with education or other items?
- Does my beneficiary need financial incentives to motivate him/her to make the right life decisions?
- How complex do I want to make my trust distribution plan?
- Who can I trust to carry out my trust distribution plans?
- What tax considerations should go into my planning?

- What legacies do I want to pass to the next generation (i.e. charity)?
- Do I need to consider special needs of the beneficiaries?
- What contingencies should I include in case my beneficiary predeceases me?

### **Examples of Trust Distribution Plans-**

I often get asked the question of “what does everybody else do...?” I will delay an answer to that question, if possible, or at least until a client has discussed a few of the earlier considerations as they are important.

Following are a few common choices:

1. **Outright Distribution** – a simple basic plan designed for mature beneficiaries.
2. **Age-Staggered Distribution** – there are many versions of this approach, but they typically involve a fractional share distribution at a specific age (i.e. ¼ share at age 30), and the rest remains protected in trust for later distributions.
3. **Percentage-Per-Year Distribution** – a distribution of a percentage per year can help an inheritance last much longer and enhance asset protection for the beneficiary.

**The best plan for you is a plan customized to your needs.** As you complete your estate planning take the time to consider all your options.

### **Considerations when dividing the possessions of a loved one**

Dividing up a beloved parent’s possessions can bring up strong feelings even in the most, well-adjusted families. To avoid friction, consider the following steps when deciding who gets what:

- Agree on a strategy. Before anyone starts cherry-picking, decide on a mutually agreeable strategy for divvying everything up. One method: Group items according to their financial or sentimental value and then have everyone take turns choosing what they want.
- Articulate your reasons, if more than one person has their heart set on a particular heirloom, ask them to write down why they feel they should get the item. Then, sit down and compare reasons. The keepsake should go to the person who offers the most compelling or logical explanation.
- Limit the number of people. Try to limit decision-makers to people in the immediate family, and don’t include spouses or grandchildren unless absolutely necessary. The more family members involved in the process of choosing, the more likely that complications will arise.
- Find out what it’s worth. To ensure that no one gets short shrift, enlist the help of an appraiser to figure out exactly what things are worth. After everything has been dispersed, tally up the value of the items chosen by each family member. If one person’s take is worth significantly more than the rest, you might want to consider letting other family members take the matching funds out of the estate.
- Commit to a peaceful resolution. If tensions bubble up during the decision making process, try not to let your feelings run away with you. Remember: in the long run, getting what you want is less important than supporting one another during this difficult time.