



Asset Protection Trusts

The choice to leave your estate outright to your heirs may be the easier decision but is it the best decision?

There are many reasons to rethink an outright distribution of your estate, such as a beneficiary's problem with addiction, poor financial decisions or a pending divorce. Preserving your assets for future generations is critical to any estate plan whether you are concerned about taxes, qualifying for Medicaid or spendthrift beneficiaries.

Asset Protection Trusts can be an essential part of that plan.

A **spendthrift trust** includes a provision that prevents a beneficiary from demanding distributions either of income or principal, or from transferring any interest that he or she may have in the trust. The trustee may be given wide latitude in refusing distributions that are reachable by creditors or when there is concern that the distributions might be used unwisely.

A **discretionary trust** permits the trustee to make (or not make) distributions to a beneficiary. When there is more than one beneficiary, the trustee can be given authority to make unequal distributions from the trust. A discretionary trust often is established for disabled beneficiaries as a means to preserve benefits from government entitlement programs by limiting the trust's distributions to supplemental rather than support needs.

A **support trust** is designed to provide a beneficiary with sufficient income from the trust in order to meet his or her basic needs and to live comfortably as well. The standards for making the distributions are predetermined in the trust agreement. Commonly, distributions are permitted for living expenses, education, medical expenses and other similar requirements.

A **qualified Medicaid income trust** is a legal instrument which meets certain criteria and which allows individuals with income and assets over the institutional care program limits to qualify for institutional care services or for home and community based services assistance.

A **tax-qualified retirement plan** or **IRA** is not, usually, thought of as an asset protection trust. However, to some extent, they operate in that manner. Generally, assets that are held in a retirement plan account or in an IRA may not be attached by creditors while they remain in the plan or IRA.

The professionals at **Garden State Trust Company** have years of experience working with asset protection trusts.

gstrustco.com
888.323.5535

 **Garden State
Trust Company**
Spanning Generations