

TYPES OF TRUSTS

A Glossary

Bypass Trust: Used in estate tax planning for a married couple. Holds the amount of the federal or state estate tax exemption for the benefit of the surviving spouse and/or other beneficiaries, but it is excluded from the spouse's estate for tax purposes.

Charitable Remainder Trust (CRT): Makes payments to an individual or individuals for a time; then whatever is left passes to a charity or charities.

Charitable Remainder Annuity Trust (CRAT): A type of charitable remainder trust. The payments to the individual or individuals are a fixed dollar amount.

Charitable Remainder Unitrust (CRUT): A type of charitable remainder trust. The payments to the individual or individuals are a percentage of the value of the trust assets from time to time.

Credit Shelter Trust: Another name for a bypass trust.

"Crummey" Trust: A trust designed so that contributions to it qualify for the federal gift tax annual exclusion. Beneficiaries have the power to withdraw assets contributed to the trust for a limited period of time.

Directed Trust: a trust under which the trustee has less than full managerial authority. This will be the case whenever somebody else, who is not a trustee, has the power to control particular actions of the trustee. A directed trust is often used to allow someone other than the trustee to manage the investments of a trust.

Disclaimer Trust: A bypass or credit shelter trust that is funded by means of a disclaimer.

Discretionary Trust: Any trust in which the trustee has the discretionary power to make (or not to make) distributions to a beneficiary or beneficiaries.

Dynasty Trust: A trust that lasts through multiple generations of a family. Usually designed to reduce or eliminate the generation- skipping transfer tax.

Generation-Skipping Trust: Another name for a dynasty trust.

Grantor Retained Annuity Trust (GRAT): A trust that makes payments of a fixed dollar amount to the creator of the trust for a period of time; then the assets pass to relatives or other beneficiaries.

Grantor Retained Unitrust (GRUT): Similar to a grantor retained annuity trust, except that the

payments to the trust creator are a percentage of the value of the trust assets, rather than a fixed amount.

Grantor Retained Income Trust (GRIT): A trust that pays the income earned on trust assets for a time to the creator of the trust; then the assets pass to relatives or to beneficiaries. Because of changes in the tax laws, this type of trust is useful only in limited circumstances.

Inter Vivos Trust: Any trust created during lifetime, rather than under a will.

Irrevocable Life Insurance Trust (ILIT): A trust designed to be the owner of a life insurance policy or policies and exclude the death benefit from the insured person's estate for tax purposes.

Qualified Personal Residence Trust (QPRT): A trust designed to achieve estate tax savings for a personal residence. The creator of the trust is permitted to live in the residence for a period of time; then the residence passes to children or other beneficiaries, or remains in trust for their benefit. Can be thought of as a delayed gift of the residence.

Qualified Terminable Interest Property (QTIP) Trust: A trust that qualifies for the estate tax marital deduction, if an election is made by the executor of the estate. All income must be paid to the surviving spouse, and no distributions of principal can be made to anyone other than the surviving spouse during his or her lifetime.

Minor's Trust: A vehicle for making a gift or bequest to a young beneficiary. Protects the assets and it permits them to be used for the child's benefit.

"Pot" Trust: A single, combined trust for the benefit of multiple beneficiaries, such as a family of young children.

Revocable Living Trust: A trust created during lifetime to hold some or all of a person's property. Can be amended or revoked at any time.

Special Needs Trust: A trust for the benefit of a disabled or impaired person. Usually designed to prevent the existence of the trust from disqualifying the beneficiary from government assistance or benefits.

Split-Interest Trust: A trust that benefits a charity or charities as well as individuals, such as a charitable remainder trust or a charitable leave trust.

Testamentary Trust: Any trust created after death under the terms of a will.

Total return trust: A trust in which distributions to current beneficiaries are geared to a percentage of trust assets, rather than to the amount of income earned by the trust.

Voting Trust: A trust that holds corporate stock or other securities with voting rights, to permit the voting decisions to be made by someone other than the owner of the stock.

2503(c) Trust: A type of trust for making gifts to minors. Designed to qualify gifts to the trust for the annual exclusion for gift tax purposes under Internal Revenue Code Section 2503(c).