

The “Daily Plan-It™”

SHUMATE BROKERAGE CORP.

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TRUSTS MADE SIMPLE Part One

Some of this newsletter’s readers don’t need a refresher course on the subject of trusts. However, even the best trust experts are always seeking ways to explain legal and financial concepts to prospects and clients in ways that can easily be understood.

In this two-part series, we’ll provide a few of our favorite explanations for some of the concepts that we apply regularly during the estate planning process.

What is a Trust?

The legalese: To state it accurately, a trust is a legal relationship in which one party holds property that was entrusted to him for the benefit of another. (Of course, it might not come as a surprise to you that there are better ways to explain things than using the legalese.)

The better explanation: A trust works like a bucket. Someone puts property into the bucket. That someone is often called the “trustor” or “grantor,” but many of our documents use the term “Trustmaker.” A second person (or institution) manages what’s in the bucket. In most documents, that manager is referred to as the “trustee.” The third person’s job is the one we all would like to have. Her role is to receive some benefit from the property in the trust. This person is known as the “beneficiary.”

The tricky thing about trusts is that one person can play more than one role at the same time. Similarly, more than one person can play the same role. For example, a married couple can be the Trustmakers and also serve as the trustees. In most living trusts, the same person or persons serve all three roles. For example, a married couple can be the Trustmakers and also serve as the trustees. In most living trusts, the same person or persons

perform all three roles: They put the property into the trust for their benefit and appoint themselves as managers.

Trusts Come in Different Models

Once you can explain that the trust works like a bucket, you’ll still need ways to explain the different types of trusts. Should your trust be revocable or irrevocable? Living or testamentary? Like cars, trusts come in different makes and models. Just as a father of six may select a minivan for his family rather than the two-seat sports car of his dreams, the Trustmaker must choose the model that suits his needs.

In the next part of this series, we’ll explain the different types of trusts with the goal of making them understandable for your clients and prospects. By clearly explaining this concept to your clients, they’ll know who is the best advisor to trust.

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