A trust representative office of National Advisors Trust Company, FSB

Monthly Update for Administration of Trusts from a Trust Administrator's Perspective.

It is our hope that our Monthly Update will be helpful to you and your clients to better understand the administration of trusts from a Trustee's viewpoint.

April, 2016

LAST MONTH

Last month I discussed options parents have to provide "incentives" to their children, hopefully instilling positive values and good work ethics, while hopefully avoiding an adult child from developing a mindset of being a "trust fund baby" who does not need to financially support themselves. This newsletter mentions a few other options parents may wish to consider regarding strategies that are available for protecting their adult children and their families.

CONSIDERATION FOR YOUNG ADULT BENEFICIARIES

Many times parents are focused upon avoiding probate, avoiding potential guardianship proceedings and minimizing estate taxes. Sometimes parents do not take into consideration the "what ifs" with respect to their young adult children who will be inheriting from the parents.

Regrettably, sometimes parents' good intentions to benefit their children backfire on them when it could have been avoided.

SOME SPECIAL CONSIDERATIONS

Parents should take into consideration the possibility of events that their young adult children may not be able to completely control. Some of those considerations for young beneficiaries include potential "what ifs", such as:

- Creditor issues.
- An unstable marriage.
- Undue influence, such as from a strong-willed spouse.
- Naivety in making investment decisions, and might be subject to investing in risky investments or scams.
- Commingling their inheritance with their marital assets, thus placing their inherited assets at risk should a divorce occur.
- Prone to quickly spending all money they ever receive and/or are living above their means.

POSSIBLE SOLUTION

One possible solution to avoid young adult beneficiaries from wasting or "losing" their inheritance is to retain the assets in trust after the parent's death(s) for a certain period of time.

Keeping the assets in trust can help ensure that the inherited assets:

- Will not be wasted frivolously.
- Will not be treated as a marital asset in a divorce proceeding.
- Will not be subject to creditor claims, garnishments, etc.
- Will not be lost in risky investments or scams.

RETAINING ASSETS IN TRUST WILL BENEFIT THE YOUNG BENEFICIARIES

Keeping the assets in trust after the parent's death(s) will help ensure that the assets:

- Will provide a steady and reliable income stream.
- Will be available for your children in later years when your children are not as susceptible to "losing" the inherited assets.
- Are available to help maintain a certain standard of living, regardless of whether the adult child has creditor problems.
- Can be available to benefit the next generation of family members.

RECOMMENDATION

As a courtesy to those with trusts, and while we do not offer legal advice, at no cost or obligation to you, we would be happy to review your trust with you to give you a trustee's perspective of <u>different options you may have to benefit your children over an extended period of time</u>.

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***WealthTrust Oklahoma** is the Oklahoma Trust representative office of National Advisors Trust Company, FSB, which currently has more than $9 billion under administration. We hold a federal charter and are independent.*