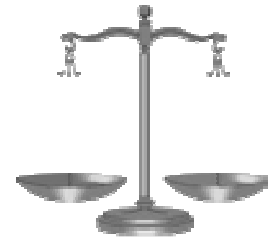


J. A. Kruse Law Firm

John A. Kruse, Jr., JD, CLU, ChFC, CPCU
Attorney at Law
20 High Street, Suite 129
Hamilton, Ohio 45011
Tel. (513) 867-8111
Web: www.jkruselaw.com
Email: John.Kruse@fuse.net



A Tour of Trusts

A trust often provides a means to retain a family legacy, as well as expand the family fortune. Think of a trust as an instruction manual to your family heirs on how to protect, preserve, and use your property and assets long after you are gone.

There are three basic types of trusts:

- **Testamentary Trust.** This trust is created at your death under the terms of your Last Will and Testament. It does not exist until your death, so you give nothing away while you are alive. Amending this trust requires that you follow the same legal procedures as you did in making your Will.

The testamentary trust holds whatever property you put into it by direction under your Will. Or you may name it as the beneficiary of a retirement, bank or other investment account, or a life insurance policy. Terms of the trust may benefit a surviving spouse, children or other heirs as you direct.

- **Living or Revocable Trust.** This trust is a separate document, created while you are alive. You can change it any time you want as your goals and objectives change. You can change beneficiaries, or terminate it completely. To change this trust, you must follow the proper legal procedures for amending it.

This trust offers no current income tax or death tax benefits because you still own and control everything that it owns. This trust is beneficial in the event you become mentally or physically incapacitated, or require professional management of your assets and income.

- **Irrevocable Trust.** This trust means what it says – once made, you cannot change it. You would use this trust to benefit other family members or a surviving spouse – it is not intended to benefit you directly. Once you gift property or assets to this trust, you are not the owner anymore.

This trust is usually designed for estate or income tax planning. It removes property from your estate while you are alive. The annual gift tax exclusion and lifetime gift exemption are employed to minimize gift taxes. Life insurance on your life is a favorite asset because of the leverage enjoyed when the death benefit is paid at your death.

- **The Special Needs Trust** - This special trust is designed to support a family member who is receiving government or private health benefits without disqualifying that person from government or other assistance. It provides funds for services and benefits not covered by the government benefits. State law often limits the permissible benefits.