

HAVERFORD

QUALITY INVESTING

THE HAVERFORD TRUST COMPANY

WOMEN'S SPEAKER SERIES 2011

“USING TRUSTS TO ADDRESS LIFE'S CHALLENGES”

Presented by

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What is a Trust?

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A Trust is created when (someone)
gives (something) to (someone)
to benefit (someone)

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What is a Trust?

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A Trust is created when THE GRANTOR
gives PROPERTY to TRUSTEE
to benefit THE BENEFICIARIES.

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Case Studies

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Case Study 1 – Mary

65; Newly Widowed; No Investment Background

- **Challenge:**
 - Investment Responsibility
- **Goal:**
 - Knowledge
 - Active Participation
 - Financial Independence
- **Solution:**
 - Funded Revocable (Living) Trust

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Case Study 2 – Sonya

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54; Divorced & Remarried; 2 Adult Children

- **Challenge:**
 - Second Marriage

- **Goal:**
 - Supplement new husband’s retirement
 - Ensure inheritance for her children

- **Solution:**
 - Family Trust – husband, children and grandchildren as Current Beneficiaries

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Case Study 3 – Irene

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Single; 3 Adult Children

- **Challenge:**
 - Beneficiary Under a Disability

- **Goal:**
 - Protect the Beneficiary

- **Solution:**
 - Testamentary Trust for the Life of the Beneficiary

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Case Study 4 – Paula

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Married; 3 Adult Children; Family Wealth

- **Challenge:**
 - Transferring Family Wealth
- **Goal:**
 - Gifting Assets to Children (federal estate tax planning)
 - Protecting Family Wealth from Divorce
- **Solution:**
 - Gifts to separate Irrevocable Trusts for each child’s benefit

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Case Study 5 – Joanna

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Active with Animal Rescue League; 6 rescue dogs

- **Challenge:**
 - Care for Animals After her Death
- **Goal:**
 - Loving Homes for each Animal
 - No Shelters or Kennels
 - Reward New Owners
- **Solution:**
 - Trust for pets
 - “Secret” bequest to new owners

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Trusts can help solve many of life's challenges

You must:

- Identify your concerns
- Articulate your goals
- Find professionals who will help you tailor a solution for your unique situation

Glossary of Trust & Estate Terms

Beneficiary – A person who has a present or future beneficial interest in a trust and estate, whether vested or contingent.

- a. **Income Beneficiary** – A beneficiary to whom income from a trust may be distributed currently.
- b. **Current Beneficiary** – A beneficiary to whom income or principal of a trust may be distributed currently.
- c. **Remainderman** – A beneficiary who has received or is to receive or may receive an interest in a trust after the current income beneficiary's interest in the trust ends.
- d. **Sole Lifetime Beneficiary** – The only beneficiary eligible to receive income and/or principal from the trust during his or her lifetime.

Grantor – One who transfers title to property. Also referred to as donor, settler, trustor.

Living Will – A durable power of attorney (document) in which you name another to make end of life medical decisions for you when you suffer from a terminal condition or are permanently unconscious (such as in a permanent coma or persistent vegetative state) and there is no realistic hope of your recovery.

Non-probate assets – Assets transferred at death other than by Will. Common non-probate assets include joint bank accounts, life insurance, retirement plans, annuities and assets held in trust.

Probate - The process of proving a Will is valid, if one exists, and administering the estate at death with court supervision in accordance with the Will or applicable intestacy laws.

Probate assets – Assets transferred at death in accordance with the decedent's Will.

Property – Anything that may be the subject of ownership. Property held in trust may also be referred to as principal, corpus or res.

- a. **Personal property** - money, valuables, securities, or personal possessions, etc.
- b. **Real property** - real estate, land and buildings.
- c. **Principal** – any real or personal property which has been set aside in the trust that is to remain in trust or eventually conveyed to a person, as compared to the return from the property which is to be received or accumulated for the benefit of the same or another person.
- d. **Income** – The return derived from the principal.

Trust - A trust is a separate legal and tax entity that is created when someone (grantor) gives something (property) to someone (trustee) to benefit someone (the beneficiaries).

- a. **Intervivos Trust** – A trust established and funded during the lifetime of the Grantor.
- b. **Revocable Trust** – A trust over which the Grantor has the power, acting without consent of the trustee or any other person, to revoke, amend or withdrawal property from the trust.
- c. **Living Trust** – A revocable trust funded during the Grantor's lifetime, where the Grantor is, at least initially, the trustee and sole Current Beneficiary. A living trust is not to be confused with a Living Will.
- d. **Irrevocable Trust** – A trust over which the Grantor does not have the sole power to revoke, amend or withdrawal property from the trust.
- e. **Standby Trust** – A living trust that has not been funded.
- f. **Testamentary Trust** – Any trust created under the terms of a Will.
- g. **Family Trust** – A trust where all of the beneficiaries are members of the Grantor's family.

Trust (continued) -

- h. **QTIP Trust** – (Qualified Terminal Interest Property Trust) – A trust where the Grantor’s spouse is the Sole Lifetime Beneficiary and qualifies for the unlimited Federal Estate and Gift Transfer Tax Marital Deduction under IRC §2056 or §2523.
- i. **Charitable Trust** – A trust or portion of a trust created for a charitable purpose. A trust where one or more of the beneficiaries is a charity

Trustee - One or more persons or legal entities to whom property is given to be administered for the benefit of a beneficiary. The holder of legal title to property placed in a trust. A fiduciary.

- a. **Fiduciary** - A person or business entity who has the power and obligation to act for another (the beneficiary) under circumstances which require total trust, good faith and honesty.
- b. **Corporate Trustee** – A business entity serving as trustee.
- c. **Independent Trustee** – A trustee who is not a beneficiary of the trust.

- d. **Beneficiary Trustee** – A beneficiary of a trust who is also serving as a trustee.

Will – A written document that is valid under the applicable state law and which leaves the estate of the person who signed the Will to named persons or entities (beneficiaries) including portions or percentages of the estate, specific gifts, and the creation of trusts for the management and future distribution of all or a portion of the estate (a testamentary trust).

Will Substitute – Any number of ways to transfer ownership in property at death, other than by Will. Examples include by beneficiary designation on life insurance, annuities and retirement plans and funded revocable trusts.

All definitions are courtesy Stephanie Kalogredis as derived from multiple financial and legal resources.

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