

Many Families Find Trust Funds Aren't Just for the Wealthy

YOUR MONEY MATTERS

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assets to your spouse outright, and a remarriage after your death would give somebody else a claim on those assets. A trust lets you keep the assets separate.

A marital trust also lets you establish certain terms and conditions. Rather than making your spouse trustee, for example, you could name someone with more financial experience, if you wish.

Perhaps the most popular form of marital trust is the "qualified terminable interest property" trust, or Q-TIP. Here the surviving spouse gets all trust income, which must be distributed at least once a year, and sometimes access to the principal as well. But when the spouse dies, the assets go to whomever you specified in the trust documents. The trust assets are then taxed as part of the surviving spouse's estate.

Q-TIPs work particularly well for some couples with children from a previous marriage. The Q-TIP provides income to the surviving spouse, but the underlying assets eventually go to the kids. But don't try this if the first kids and the new spouse are the same age. The kids won't see a penny until the spouse dies.

LIVING TRUST: This typically refers to a revocable trust formed while you are alive. Well-structured estate plans often start with a living trust that becomes irrevocable at death, dividing itself into several other types of trusts, such as

the credit-shelter trust.

By transferring assets into a trust that survives you, you can avoid court probate upon your death and speed distribution of your assets. That can be an important strategy in a state like California, where probate fees kick in on anything over \$60,000 gross value, says Doron M. Tisser, a Calabasas, Calif., attorney.

For most people, however, "the real advantage is not upon death, but during life," says Mr. Brier. "It is an excellent vehicle for older people who fear illness or incapacity."

Aggressively marketed as the solution to everybody's estate problems, these trusts are often viewed as a magic "pink pill or the easy answer," says New York attorney Martin M. Shenkman. By themselves, however, living trusts don't avoid taxes, he says. They need to be combined with other trusts. And if people use them improperly — such as failing to transfer assets into them — the trusts serve no purpose at all.
