Top 5 Reasons for a Tummy-Tuck...On Your Trust

The terms of irrevocable trusts are set in stone...or are they? Sometimes an attorney can help a family to alter the terms or tax consequences of a trust.

1. You can save state income tax by moving the administration of the trust to a state with no or low tax. For example, if your trustee lives in California, the trust is likely paying some California income tax. Change the trustee to a person or trust institution based in a no or low tax state like Delaware. There are many options.

2. If current family members do not need the trust assets, perhaps lengthen the term of the trust to benefit a later generation, avoiding some estate tax or increasing asset protection from future creditors. If current family members really need the trust assets—but are prohibited from accessing them—the terms of the trust may be altered to permit distributions of principal, particularly if remaindermen agree.

3. If a trust is no longer valid because personal or tax circumstances have changed, might the trust be re-purposed to a better use? In Delaware, you can fully amend the purpose of the trust so long as all the trustees and beneficiaries consent in writing.

4. Are your current trustees providing the appropriate level of attention and client service? The provision which seems to set trustee selection outside of the beneficiaries’ reach can be amended to give the beneficiaries or a third party the power to remove and replace the trustee.

5. Annual review of the trust’s assets is appropriate. Is the insurance policy well-funded, the insurance company well-rated? Is there a new and better policy for which the old can be exchanged? Are other investment assets performing well?

If you have any questions, don’t hesitate to contact your Relationship Team or email us at Top5@glenmede.com.