Middlebury

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Family Trusts

If you have substantial assets, an irrevocable family trust can help you preserve assets for your heirs and Middlebury College, as well as reduce (or even eliminate) estate and gift taxes.

What are the benefits?

- A family trust lets you establish stipulations for the ways that the assets will be passed on to the beneficiaries. *For example:*
  - Distributions for specific purposes: You can stipulate that the trustees of a trust shall make money available to children or grandchildren only for college tuition or for future health care expenses.
  - Age-based terminations: You can stipulate that the trust's assets shall be distributed to heirs at periodic intervals—for example, 30% when they reach age 40, 30% when they reach age 50, and so on.
- You can list all of your children as beneficiaries, as well as Middlebury (and any number of other charities).
- You can "freeze" the value of the assets used to fund the trust for tax purposes. If any estate or gift taxes are owed from the trust, they are calculated and may be payable at the time of the gift.
- Most of your gift to charity is made from what would otherwise be tax dollars.

How does it work?

- You establish the trust with cash, stock, or other assets.
- The trust makes fixed annual gifts to Middlebury for as many years as you choose.
- At the end of the trust's term, the remainder goes to your heirs.
- When the trust ends, all remaining assets—including all appreciation—are transferred to your heirs, free of any gift or estate taxes.
- Although your heirs may owe some capital gains taxes if the trust assets have appreciated, these taxes will not be payable until they sell the assets.

Planning Tips

- It's best to fund a family trust with assets that are not highly appreciated.
- A short-term family trust with a term of approximately five years can be a tax-savvy way to both fulfill a pledge to Middlebury and pass on assets to your children.
- Creating several family trusts can ease your family into their inheritance. For example, you could set up three different trusts with terms of 10, 15, and 20 years, instead of just one trust.

A family trust can help you better realize a vision for your estate and, in turn, your legacy. It's important to let your goals for your estate guide your discussion with your attorney and financial advisor as they help determine what kind of trust and provisions make sense for you.