

WEALTH MANAGEMENT SERIES

Asset Protection Trusts and Management Structures

“When do you buy the fire insurance, before or after the fire?”

In recent decades, the ancient asset protection tool - the trust - has gained wide popularity among astute people of wealth. But what exactly is a trust?

A trust is a legal arrangement where one person controls property donated by another person for the benefit of a third person. Basically, you legally give your assets away to another entity to ensure those assets are protected. This independent legal entity is most often used for protecting assets from creditors, reducing excessive estate taxes, financial planning strategies, and protecting assets from unwarranted litigation.

There are hundreds of variations on the basic three-party trust agreement. A trust may be created for any purpose, as long as it's not illegal. So anyone can create a trust designed specifically to meet any number of needs. For example, a trust can: (but not limited to)

- Conduct a business.
- Hold title to and invest in real estate and corporate shares.
- Hold cash, stocks, bonds, negotiable instruments and bullion.
- Pay medical, educational and other expenses.
- Protect assets from prying eyes wanting your hard earned assets.
- Protect your home and family when used as an estate planning vehicle.



The Choice for Privacy

If you value your privacy, a trust is an excellent choice. Even though your trust must be officially registered the inner-workings of your trust are shielded from public view. While the fact that a trust is created and "on the record," names of grantors and beneficiaries are not revealed and trust assets are strictly private unless the trustee is authorized by the trust declaration terms to make such disclosures.

The Who's Who of a Trust Relationship

A trust's parties include the Settlor/Grantor who creates a trust. If you decided to set up a trust, you would be the "Settlor". Trusts can be established by a third party (person or corporation and would be referred to as the Grantor. In the trust agreement, a mandate is established and defined for the trust's management. Then you would supply the trust with the assets to be managed.

The Trustee is the person (or company) who administers the trust. The Trustee is the key to any successful trust. It is the "trust" placed upon that institution, entity or person by the Settlor / Grantor that is the basis of the trust. It is a responsibility of honor and integrity as the Trustee manages the property for the benefit of the Beneficiary, not themselves. The law says that a Trustee's duties are fiduciary in nature, meaning that the Trustee is acting for another's benefit and with complete candor and honesty.

The Beneficiary is the third member of the trust relationship. If you set up a trust, you would name the beneficiary (for example: a significant other, a child, business partner, etc). If a Grantor sets up a trust, the Grantor would name the beneficiary. The beneficiary receives distributions from the trust assets, and holds the equitable title to those trust benefits. The beneficiary does not own or have the right to control any of those assets.

For more information on Asset Management Structures send a confidential email to info@trustcostarica.com