

The Fool school: trust versus will

The term "trust fund baby" has negative connotations, but you may be surprised to learn trusts can be useful, even to those who are not ultra-rich.

First used in medieval England, trusts now serve many purposes, such as dividing ownership of property. The trustee is the legal owner and may control and take responsibility for the property, while the beneficiary holds the sole right to enjoy the property.

Trusts often are preferable to wills for ensuring the orderly transfer of property:

- Trusts can take effect immediately, handling circumstances that wills cannot. For instance, if you're seriously injured, a trustee may take over your finances until you're able to assume responsibility again.

- Assets that pass through trusts generally are not subject to probate proceedings; unnecessary delay, expense and publicity can thus be avoided.

- Trusts usually can be changed without the formalities required for altering a will.

- A trust may help you postpone or avoid taxes.

But trusts have disadvan-



tages, too:

- Trusts often are more complicated to draft than a will. A poorly drafted trust can be nearly impossible to execute.

- Appointing a guardian is traditionally done in a will, not a trust.

- Many professionals charge much more to draft a trust than a will. (It might still be worth it, though.)

There are revocable and irrevocable trusts, and living and testamentary trusts (linked with wills). Unfortunately, it's not always easy to determine when a trust is advantageous.

Study the matter closely before making a decision, and consult a professional or two, if you're not comfortable deciding on your own.

Remember that having a solid estate plan is essential to achieving your ultimate goals and to saving your heirs time and money. Don't put off thinking about your last financial arrangements.