CITIZENS WEALTH MANAGEMENT

A Trust department is a corporate fiduciary that administers client assets.

What does a Trust Department do?

The purpose of our Trust Department is to create and maintain financial security for you and your family. In the past, Trust services were utilized by the privileged few. Today, however, millions of Americans can and do benefit from the specialized financial guidance and a myriad of other services offered by a Bank Trust Department.

A common misconception is that one must have a trust to use a Trust Department's investment services. Although many of our clients have chosen to form trusts because of the unique advantages they offer, the same investment services are offered to those who do not need the complexities of trusts, including:

- Fee-based Investment Management services as directed by you or your Trust Agreement
- Work with you or your representative to handle estate planning and asset management
- Serve as Successor Trustee to administer a trust when the grantor becomes incapable or is deceased
- Ensure adequate income is paid to the trust grantor
- Ensure growth in assets for the benefit of grantor's heirs
- If necessary, arrange for the sale of assets if a client needs to move into assisted care and if required, make arrangements for the move
- Pay routine bills and quarterly taxes
- Serve as executor of an estate or as agent to assist the executor and estate

Comprehensive Financial Planning
- Retirement Planning
- Estate Planning
- Education Funding
- Income Tax Planning
- Fiduciary Services

Asset Management
- Portfolio Design
- Portfolio Implementation
- Access to Best of Class Money Managers
- Asset Allocation

What is a Living Trust?

Overall, the biggest advantage of a Living Trust is the flexibility it offers. As the grantor of your living trust, you have a lot of say about what you make it do for you. To see how flexible a job your trust can do, the place to start is with a better definition.

In essence, the legal entity known as a **Living Trust** is a legal arrangement involving three persons – you and two others. The **Trustee** is the person who administers the assets that you, the **Grantor**, place in the trust. The third person is the **Beneficiary**, whoever benefits from the trust's income and or principal.

The flexibility arises from naming three persons. The same individual can serve in more that one capacity. As grantor of the trust, you may also serve as Trustee until a time when you are unable or unwilling to serve in that capacity. At that time the Successor Trustee, whom you have previously designated, takes over. The grantor can also be the beneficiary. There can be more than one beneficiary, and they can be entitled to benefit from the trust at different times. You make the choice. You also decide how long you want your trust to last.

A Legal Entity You Create

What makes a Living Trust so useful is that it has a life of its own under the law of our state. Lawyers describe a trust as a "legal entity" or a "person" that you create legally. It's a living trust because it starts working for you during your lifetime. But a trust is a "person" without a brain, so you need someone to think for it. That's the trustee; you may choose an institution, yourself or third party who has the legal power to act for your trust.

What is the point of going to the trouble to create a legal "person" and to name a trustee to think for it? The answer is once your trust is in place; you can put assets into it. And there can be many advantages to doing that.

Probate and Tax Savings

Your Living Trust doesn't have to end when you die. It can continue as long as you want. When it extends beyond your death, the property you place in your trust is generally not included in your probate estate. That means corresponding <u>savings in probate costs</u>.

Under certain conditions, the income from assets owned by your trust will be taxed to the trust, instead of to you. That <u>may result in lower overall federal and state (if applicable) income tax payments</u>. Also, under certain conditions, you may be able to use your living trust to keep appreciation in asset values out of your estat*e.* That can cut federal estate tax.

A Good Choice For You?

Now that you know more about a Living Trust, you are better able to judge whether putting one on the job for you can be a good choice.

A Living Trust is a proven hard worker that comes to you with excellent references as both a flexible problem solver and as a practical way to help you manage investments. It has great potential to help you with possible tax savings and with continuing protections for your family if you become incapacitated or die. It can do the job you want, whether the value of your assets ranges in the tens of millions or the tens of thousands. And you can give your trustee as much or as little discretion on the job as you want. If you want to know more about how a Living Trust can fit your financial needs, we would like to discuss it with you. Putting a living trust to work can be a very effective way to do the job you need.

The following examples show how a living trust can work:

A standby against incapacity

Mary is a widow who is concerned about how to manage her assets if she becomes mentally or physically incapacitated. She sets up a trust to hold her assets. Mary is not only the grantor but the beneficiary and Trustee. She will name her son as Successor Trustee and in the event that Mary suffers a prolonged illness or is unable to handle her affairs, her son will step in and manage her assets. After her recovery, Mary can take over again as the Trustee. Mary also named her son as remainderman beneficiary so if she does not recover, there will be a smooth transfer of assets to him.

A way to avoid the delay, cost and complications of probate

Jack wants to be sure that his family's financial situation will not be disrupted by the time required to settle an estate. He sets up a Living Trust to manage his investment assets. He names his wife Betty as beneficiary and his son as remainderman beneficiary. As a result, Betty will be able to benefit from his assets immediately after Jack's death. Financial decision making, in accordance with the terms of the trust, will continue without court supervision and its associated costs.

During Betty's lifetime, Jack's trust will provide investment services and income for her. On Betty's death, Jack's assets will pass directly to his son, again without the delay, cost and complications of probate.

Protection for a special needs child
Every parent of a special needs child worries about their future. What will happen when the parent dies or is unable to handle the care of the child? A living trust can provide the financial support that child will need for the remainder of their life.

A tax-saving trust for a minor child
Tom sets up a living trust for his 14-year old daughter Melinda. He doesn't want the trust assets returned to him so Tom specifies that Melinda is the beneficiary. Tom decides to have the term of the trust last until Melinda reaches the age of 30, and he gives the trustee discretion over how much income Melinda will receive until that time. Properly arranged, this living trust can provide both income and estate tax savings for Tom and his family, plus qualify for gift-tax benefits. In addition, of course, Tom may also help Melinda build her sense of financial discipline.