

# The “Daily Plan-It™”

ESTATE & BUSINESS LAW GROUP, P.C.

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## *What the Heck Does That Mean? – An Advisor’s Cheat Sheet of Trust Terms*

Something advisors often ask our office for is a kind of “cheat sheet” of legal terms. After all, one of the most awkward things to admit in life is: “I don’t know what that word means.”

This can be especially frustrating when speaking with your client’s attorney – a professional being paid by the client to explain basic estate planning terms to you instead of working to accomplish his family’s important goals.

Before you step into a lawyer’s office to discuss estate planning and asset protection options for your clients, you will want to understand core concepts so that you don’t feel like you’re starting at square one.

### **Basic Trust Definitions**

That’s why I’m sharing some basic definitions for Trusts, the differing kinds, and some related terms.

I hope to incorporate this into a series of articles that will become a reference for you when you have basic questions about estate planning and asset protection.

Let’s start with some essential concepts:

- 1. Trustmaker** – This is the client. Sometimes, this role is also called a Grantor, a Settlor or a Trustor. Our advice is to keep it simple. Call him or her the Trustmaker.
- 2. Revocable Living Trust (RLT)** – This is a legal document that outlines the plans that the Trustmaker made for his assets and family. The Trustmaker can amend or revoke this kind of Trust.
- 3. Irrevocable Trust** – When a Trustmaker dies, his RLT automatically becomes an Irrevocable Trust, meaning its directives generally cannot be changed or revoked. A Trustmaker also can create an Irrevocable Trust during his life for many purposes, such as reducing taxes, gifting and asset protection.
- 4. Trustee** – This person (or persons) manages the Trust and watches over the assets within it. Typically with a RLT, the Trustmaker appoints himself as Trustee. Upon the Trustmaker’s death, a Successor Trustee steps in and assumes management of the Trust.
- 5. Beneficiary** – This person receives income or assets from the Trust. During the Trustmaker’s life, he

can simultaneously be Trustmaker, Trustee and Beneficiary. After his death, the Beneficiary becomes whomever the Trustmaker named as such. Usually this will be a spouse or child, but it can also be a non-relative or charitable organization.

- 6. Lifetime Protective Trust** – An inheritance left outright to a child in a Will can be attacked by creditors or lost through a divorce or personal lawsuits. Parents can place assets into this kind of Trust to prevent them from being seized or later subjected to the Federal Estate Tax on the child’s estate. This inheritance can be protected for successive generations.

A quick resource for Trust term definitions is FindLaw.com’s estate planning dictionary, which is available at: <http://tinyurl.com/ch7t5o>.

I hope this article helps you and your clients. If you have suggestions for other terms you’d like to see defined, please forward them. As always, if you have a question or concern about a specific case, please contact our office.

## Workshop Schedule

**The Truth about Estate Planning**  
Usually Tuesday nights, 7:00 pm  
(Please call for current dates)



**IRA Preservation Planning**  
*Learn how to properly protect your IRAs and what the IRA Preservation Trust can do!*  
(Please call for current dates)

*On February 8, 2006, President Bush signed into law the Deficit Reduction Act of 2005 (DRA 2005), which included the most sweeping changes to [Medicaid](#) laws ever enacted.*

**Medicaid Planning Workshop**  
*The new Medicaid laws and some of the planning options that are still available, even in light of these sweeping changes.*  
Usually Tuesday nights, 7:00 pm  
(Please call for current dates)

**Registration:** Contact Mary Lang at (847) 367-4460  
<http://eblawgroup.com>

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We invite you also to direct your clients to  
[http://eblawgroup.com/FAQ\\_medicaid.htm](http://eblawgroup.com/FAQ_medicaid.htm)  
for more information on Medicaid Planning.