



I'm in my 40s, why do I need a Trust?

BY KATHERINE LUMMIS

Lone Oak Trust Company is excited to bring you the first in a series of relevant and timely discussions on topics requested by friends, family, and clients. Our series begins by answering a question we receive quite often from our younger clients: "I am in my 40s, why do I need a Trust?". In the coming year, we will expand this topic to address all stations in life, as the reasons for needing a Trust in your 40s is much different than the reasons to make such a decision in your 50s, 70s, or 90s. We look forward to sharing our experience and expertise with you.

"I'm in my 40s, why do I need a Trust?"

When people think of Trusts, they generally consider them in the context of immeasurable wealth or an inheritance. While these scenarios can be the case, Trusts are quite effective tools earlier in life, providing peace of mind when it comes to:

- Control over specific assets,
- Protection of loved ones and/or minors,
- Reduction in income and estate taxes; and,
- Avoidance of probate court, keeping the estate from the public eye.

While each of these items can be important regardless of your stage of life, the first two points are particularly pertinent to those in their 30s and 40s. Generally speaking, individuals in this age range are building families and building wealth. Putting a Trust in place, whether one that is immediately funded or becomes funded after a life-or-death event, can protect both of these important and valuable parts of an individual's or couple's life.

Beginning with the family aspect, a Living Trust is an effective instrument in protecting minors should a worst-case scenario present itself. Legally, a Living Trust is drafted during a grantor's lifetime and can either hold assets immediately or can be the recipient of a "pour over will", in which case assets transfer into the trust

upon the death of the grantor. Both scenarios ease the administration of a person's estate as assets are already titled in the name of the Trust, which means the Trustee can access those assets immediately and not have to wait for the grinding wheels of the probate court to grant Letters Testamentary. Living Trusts guarantee continuity.

In addition, the grantor can stipulate the future disposition of the Trusts' assets, providing for living expenses, education, health, major life events, etc. over the course of the remaindermen's lifetime.

A Living Trust offers peace of mind that loved ones will be cared for, that minors or young adults have time to prepare for their inheritance, and that family legacies are protected.

Similarly, certain types of Trusts can be quite effective when it comes to protecting a business. An individual can place shares of stock in a privately or publicly held company in Trust, and place parameters around how the asset's growth and income is either reinvested or distributed. The distinction between using a Trust versus a LLC is that assets held in a LLC are considered community property, while assets held in an Irrevocable Trust remain separate. Since Texas is a community property state, this difference is worth noting for planning purposes.

There is so much more we can share about this topic, and we look forward to presenting the next installment in this series, "I'm in my 50s and 60s, why do I need a Trust?" In the meantime, if you have any questions or would like to explore how a Trust might fit into your own wealth plan, please do not hesitate to contact us. On behalf of the Lone Oak staff, board, and shareholders, we thank you for your support and look forward to serving you and your family for all of your Trust, Estate, and Wealth Management needs.

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