

GUIDE TO READING YOUR TRUST DOCUMENT

At first glance, reading your trust document can be overwhelming. Although each document is tailored to a Grantor's individual circumstance, many trusts have the same basic format. Here we guide you through the main sections and break it down in easy terms.

NAME OF TRUST

This section includes the name of the trust and the date the trust was created. This is important because it becomes the legal name that is recorded with the IRS and assigned a Tax Identification Number.

TRUSTOR AND BENEFICIARIES

The creator of a trust is often called a Grantor, Trustor or Settlor. This person established and funded the trust. This section may also include who will benefit from the trust, the beneficiaries, and who will ultimately receive the trust outright, the remainder beneficiaries.

TRUSTEE APPOINTMENTS

When a trust is established, the Grantor appoints a Trustee or Co-Trustees who will have control and responsibility over the administration of the property and are charged with the legal obligation of administering the trust per the terms of the trust agreement. The trustee may be an individual or a corporation like First State Trust Company.

ASSETS OF TRUST

This section describes what assets are funding your trust. Depending on the purpose of the trust, some assets may be more appropriate than others. Typically, family trust will hold cash and marketable securities. However, a trust can also hold real estate, artwork, tangible personal property, life insurance, limited partnerships and promissory notes, just to name a few.

TRUSTEE POWERS

This section details the responsibilities of the trustee (what a trustee can and cannot do). Typical trustee powers include, but are not limited to:

1. The power to sell trust property, borrow money, encumber trust property, including trust real estate, by mortgage, deed of trust or other method.
2. The power to manage trust real estate including the power to lease or grant options to lease the property, to make repairs or alterations and to insure against loss.
3. The power to sell or grant options for the sale or exchange of any trust property, including stocks, bonds, debentures and any other form of security or security account, at public or private sale for cash or on credit.
4. The power to invest trust property in every kind of property and every kind of investment, including but not limited to bonds, debentures, notes, mortgages, stock options, futures and stocks, and including buying on margin.
5. The power to receive additional property from any source and add it to any trust created by the trust.
6. The power to employ and pay reasonable fees to accountants, lawyers or investment experts for information or advice relating to the trust.
7. The power to deposit and hold trust funds in both interest-bearing and non-interest-bearing accounts.
8. The power to deposit funds in bank or other accounts uninsured by FDIC coverage.
9. The power to execute any documents necessary to administer any trust created by the trust.
10. The power to diversify investments, including authority to decide that some or all of the trust property need not produce income.

TRUST ADMINISTRATION DURING LIFE OF GRANTOR AND AT GRANTOR'S DEATH.

During the Grantor's life, he or she may have the option to modify the trust or terminate it.

When the Grantor dies, the trust becomes Irrevocable and cannot be amended or altered.

This section tells the trustee how to distribute the assets:

Dispositive provisions: Distribution provisions detail who is entitled to distributions (beneficiaries), what the distributions can be for, and what the trustee must consider before approving a distribution request. It is common for trust documents to allow distributions for ascertainable standards or “HEMS”. This stands for health, education, maintenance and support.

This section tells you when the trust ends and how to distribute the assets:

Termination provisions: Trusts are usually established for a finite period. The trust usually includes a triggering event which could be a term of years, and specific age of a beneficiary, or a death of a beneficiary. The recipients of the trust once it terminates are the “remaindermen”.

RESIGNATION AND REMOVAL OF TRUSTEE

This section outlines who may remove and replace a trustee, how to remove and replace a trustee in addition to how a trustee can resign.

GOVERNING LAW

Each trust is governed in accordance with the laws of a specific jurisdiction (state). It is typically the state where the trust was created.

SIGNATURES

Grantors and Trustees will sign the document acknowledging in front of a notary public. This makes the document legal and binding.

Please don't hesitate to contact your Trust Officer with any questions or call First State Trust Company at (800)554-1364.

Disclosure:

Trusts are not necessarily appropriate for all clients. There are risks and considerations which may outweigh any potential benefits. Establishing a trust will incur fees and expenses which may be substantial. Trusts often incur ongoing administrative fees and expenses such as the services of a corporate trustee or tax professional. First State Trust Company does not provide tax or legal advice. Clients should consult their tax advisor for matters involving taxation and tax planning and their attorney for matters involving trust and estate planning, charitable giving, philanthropic planning and other legal matters.