

On the Benefits of Estate Planning through Living Trust

You have worked hard for your money and made every attempt to save aggressively and invest wisely to accumulate sufficient capital to meet your personal needs and secure the future of your loved ones. So it's only natural that you want some control over what happens to your assets in the event of your disability, retirement or death. At the very least, you probably want to minimize or avoid potential losses and hassle for your loved ones.

Estate planning deals with the orderly arrangement of your personal assets to attain comfort & security during your lifetime and provide support to your heirs or intended beneficiaries. Consciously or unconsciously, even if you are a person of modest means, you are actually "planning" your estate when you engage the services of a broker to buy insurance, or when you invest in real estate, or when you sell and give away property. In effect, you're trying to build your own estate, make it grow, conserve it, and finally transfer it to your loved ones. This is so because, while you are still in your productive years, you want to secure your own needs and those of your beneficiaries and dependents as well. Looking beyond, you also worry about adequately providing for the same needs of the same people if and when you become disabled, retire, or die. Fortunately, there are several strategies to choose from in making sure your assets are distributed as you intend.

One of the most common and most powerful tools used in estate planning today is the living trust. A living trust (which can either be revocable or irrevocable) lets you control the distribution of your estate subject, of course, to the laws on legitime. A revocable trust is one that can be cancelled at will by the trustor or modified to suit his needs or wishes; he may also change the designation of the beneficiaries or the conditions under which the trust property shall be disposed of. On the other hand, an irrevocable trust cannot be cancelled, amended or terminated. It is as final as outright gifts or donations and the trustor retains no interest or control over the entire assets held under trusts. As such, donor's taxes will have to be paid at the time of the contribution of the assets into the irrevocable trust. From the viewpoint of taxation, however, an irrevocable trust may be a suitable trust arrangement for an individual who desires maximum tax benefits. Estate taxes are punitive and you'll be able to do away with it if you put up an irrevocable trust as you have already paid donor's taxes which are lower than estate taxes if the beneficiary is your heir. There is no hard and fast rule though, your choice largely depends on what really suits your needs.

One distinct feature of living trusts is their flexibility, you may design the trust agreement to fit your individual or specific needs. Also with living trust, you can specify the extent of your trustee's investment powers; to whom, under what conditions, and for how long income from the trust is to be paid; and how the principal is to be disposed of ultimately. You can also opt to serve as the trustee or you can select a person or an institution to be the trustee. Here in the Philippines, you can choose from a wide array of trustee banks to manage your living trust. Putting up your trust account with a bank relieves you from the burden of having to self-manage your assets. Equipped with the latest state of the art technology and with seasoned fund managers, these trustee banks ensure that there is sound investment management of your assets. They also protect your assets against the incompetence or improvidence of the beneficiaries who are still minors or inexperienced to handle their finances. There is danger in transferring all of your treasures to your heirs while you are still alive – they may be tempted to spend more than necessary. The living trust can also serve as a “stand-by” protection (e.g. payment of hospital bills, rents, taxes, etc. while you or your beneficiary is ill, away on a trip, or incapable of handling essential personal finances). And most importantly, distribution of your assets under living trust is not subject under the direct management of the probate court at and after your death and, therefore, the value and the nature of your assets and the identity of your beneficiaries do not become a public record. Probate is a legal process that usually involves filing a deceased person's will with the local probate court, taking an inventory and getting appraisals of the deceased's property, paying all legal debts, and eventually distributing the remaining assets and property. Hence, with living trust, your heirs and intended beneficiaries will be able to enjoy the fruits of your labor at the right time and the right circumstances without giving them the headache of having to go through probate process.

Although living trusts may not be popular among us Filipinos, it still proved to be a growing industry on its own. For the past five years, based on BSP's data on Total Trust and Other Fiduciary and Investment Management Accounts, it purported a considerably higher average annual growth of 5.85% compared to the average annual growth of 3.81% for Total Trust Assets Under Management. At present, not so many Filipinos really appreciate the value of putting up a living trust primarily because of the presence of other capital appreciation vehicles like insurance, bond and savings or time deposits. And it is in this regard that we, in the trust industry, want to help you meet your investment objectives. The Trust Officers Association of the Philippines, along with its 48 member-institutions teams up to provide you with the knowledge and expertise in research, investment and portfolio management, administration of your assets. Rest assured that you'll

be given the best service that we could give and that there is no way that your hard-earned money could go to waste.

Ask your Trust Banking Officer about the benefits of setting up a Personal Living Trust. You'll be surprised at the various advantages it can provide.