

How a Trust is Established

Creating

- A legal entity that holds title to property for the benefit of a person(s) or entities is created through a legal document that establishing trust purpose, names the trustee, lists trustee's powers designates how trust property should be managed distribution terms to the beneficiaries.

Grantor

- The person who establishes the trust is commonly called the grantor and may also be referred to as the trustor, donor or settlor.

Funding

- Once a trust has been executed (signed by the grantor and trustee), the grantor transfers assets into the trust. This is called funding the trust. Trusts may be funded during the grantor's lifetime (inter vivos) or at the grantor's death (testamentary) through a will or another trust.

Principal

- Property transferred into a trust becomes part of the trust principal or corpus. The trust principal consists of all the property, rights and obligations that are transferred to the trust.

Management

- The trustee manages the trust according to the terms of the trust document, protecting and investing assets, handling distribution requests, filing tax returns, and providing annual reporting to beneficiaries.

Term

- This is how long the trust will last. Some trusts last for a specific period of time or until some event occurs. Other trusts are perpetual and last for several generations.