

Types of Trusts

- If someone else creates a trust for your benefit, it is likely to be an irrevocable trust. Most of these trusts are created with the idea that a gift of assets today will result in future appreciation accumulating in the trust for the beneficiaries. Some types of trusts that your parents or grandparents may create include:

Generation Skipping or Dynasty Trust

- These trust usually make income and principal available to the current beneficiaries for stated purposes, such as education and health. The trust is designed to last for multiple generations without triggering future estate of generation-skipping taxes.

Irrevocable Life Insurance Trust (ILIT)

- Set up to hold life insurance, these trusts usually hold few assets until the insured person dies. Then the trust are able to make income and principal distributions according to the terms of the trust. ILITs are also often generation-skipping trusts.

Grantor Retained Annuity Trusts (GRAT)

- Usually between a parent and children, a GRAT allows the grantor to receive distributions from the trust for a stated period of time. After that time, the grantor (s) receive the remainder, either outright or into another trust.

Qualified Personal Residence Trust (QPRT)

- Here, a parent places a principal residence or vacation home in the QPRT and continues to live in the residence or vacation home. At the end of the trust term (some period of years), the property transfers to the child or a trust for the child's benefit