

# Trust

## Frequently Asked Questions

**AMERANT**



### ► **What is a trust?**

A trust is a relationship between the creator of the trust (the settlor), the person, institution or independent trust company in charge of managing the trust (the trustee) and one or more beneficiaries. The settlor transfers a property upon the trustee for the benefit of the beneficiaries and according to the trust instrument.

### ► **What goes into a trust?**

Property such as stocks, bonds, cash, mutual funds, life insurance policies, real estate, collectibles, and art, are some of the assets that can be transferred into a trust. When transferring assets into a trust it is important to know if the trustee will be capable to manage such assets in accordance with the trust instrument.

### ► **What are the most common types of trusts?**

Some examples are living trusts, life insurance trusts, irrevocable trusts, charitable trusts, dynasty trusts, and asset protection trusts.

### ► **Who needs a trust?**

Most people should consider setting up a trust, even if they don't need it. It is an exceptional way to control what happens to your estate, regardless of its size. Even people of moderate means may be subject to estate taxes, which could be significantly higher than income taxes. Trusts allow you to keep your affairs private since they are not subject to probate.

► **What are the advantages of a trust?**

Trusts are legal mechanisms that provide a wide range of benefits catered to each individual's asset and estate planning needs. There are many reasons to set up trusts such as managing and/or distributing assets upon your death or incapacity in the way that you envisioned, to protect the wealth you created from the beneficiaries' creditors or from the beneficiaries themselves. Trusts are also a practical way to simplify the transfer of wealth upon death as it avoids that assets that are held in trust be subject to a probate process.

► **How much does setting up a trust cost?**

In general, in the trust services the fees are detailed in the trust document. Normally they are calculated on an annual basis, according to the level of responsibility assumed by the trustee and the value of the assets in the trust. Fees can be charged quarterly or monthly and a portion could be tax deductible.

► **How do you choose a trustee?**

Depending on the type of trust you seek to create, you should look for a trustee who has the expertise and capability to attend to its duties under the trust instrument. Capability not only refers to technical capabilities, which is very important, but also, the possibility to carry out its duties for an extended period of time. Trustees are bound by the trust instrument and must always act in the best interest of the beneficiaries, therefore when trustees have certain discretion they must do so impartially avoiding any conflicts of interest. This may happen if you designate a trustee who may be influenced by one of the beneficiaries or a third party. This could be averted by choosing a corporate trustee, such as Amerant, who will most likely not be influenced by one of the beneficiaries or a third party and will loyally adhere to the trust instrument and its duties. In regards to capability, the management of the trust assets is very important and essential to reach the goals you intended when creating the trust and therefore it is recommended to seek for corporate trustees who have wealth management divisions who in turn have access to in-house investment and assets management expertise and products.