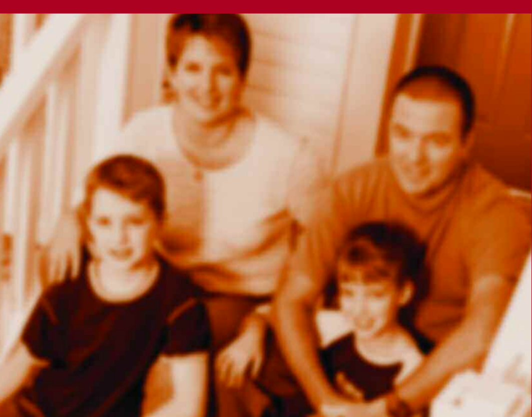
A smart,

affordable

way to protect

the things that

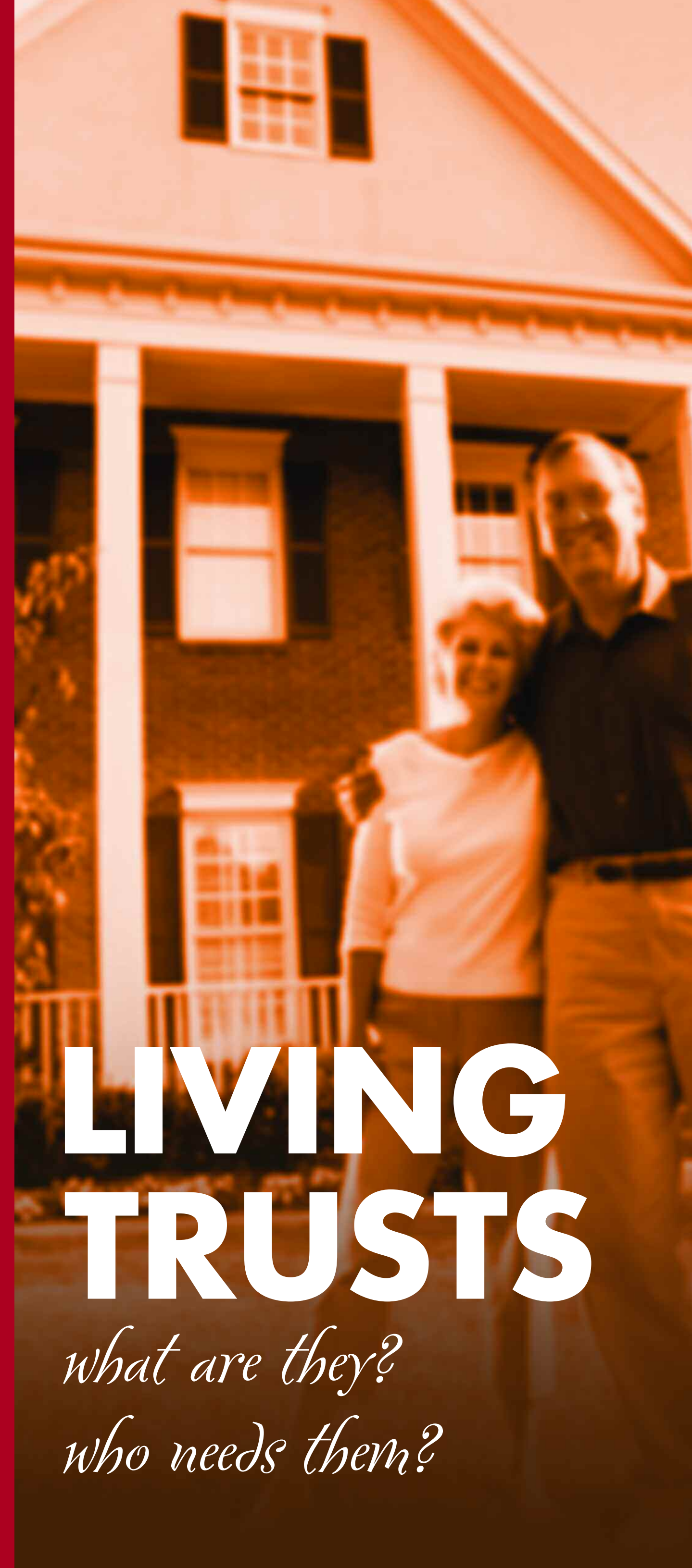
matter most



LIVING TRUSTS

what are they?
who needs them?

This publication does not attempt to give any legal or tax advice. For advice in specific situations, the services of competent legal, tax, or financial planning professionals should be obtained.



What is a Trust?

A Trust is an agreement to transfer assets to a trustee to be managed for the benefit of named beneficiaries. A Trust can be set up during your lifetime or through your Will to take effect at your death. It can be irrevocable (fixed) or revocable (changeable).

A Living Trust is a revocable Trust set up by you during your lifetime. Usually, the person setting up the Trust (often called the settlor, grantor, or creator) also serves as trustee, or property manager, during his/her lifetime. In some states, having another person serve as trustee may be required. The typical Living Trust names the settlor as the first beneficiary of the Trust. The settlor also retains the right to amend the document at any time.

The benefits...

Probate Avoidance

Assets of a Living Trust are generally not subject to Probate upon the incapacity or death of the settlor, trust beneficiaries, or the trustee. If any of those events occurs, the named successors step in under the terms of the Trust, without Probate court involvement. This typically saves time, publicity, and administrative expense.

For convenience, some individuals give outside trustees authority over their Trust assets even while the individuals are alive. Living Trusts can also provide for money management during disability and disposition of the assets at death.

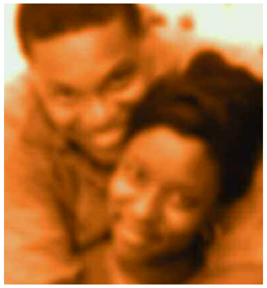
Minimizing Administrative Expenses

Since the assets owned by a trustee of a Living Trust are typically not subject to Probate, the administrative expenses of probating property may be reduced or eliminated.

Charitable Gift Arrangements

A Living Trust is an ideal tool to use in making charitable gifts to your local church or other United Methodist ministry. Assets can be managed by a trustee and distributed as you specify to named beneficiaries for their lifetime, with your United Methodist charity receiving the assets when the beneficiaries have died or have reached specific ages.

The arrangement could provide a fixed income to the beneficiary, a distribution of a fixed percentage of the assets each year, of income and needed principle as determined by the trustee. Your church could also be given a fixed dollar amount, a percentage of the trust at your death, or the share of any beneficiary who died before receiving a complete distribution.



Timed Distribution of Assets

A Living Trust can provide for a timed distribution of your assets to your heirs. For example, distribution may be made to children as needed for support, education, and similar stated purposes, at any age, with the unused money kept in the trust to be distributed at ages you specify (e.g., one-third at ages 25, 30, and 35). This may provide children with several opportunities to manage and to preserve their assets. Without such an arrangement, minors inheriting property through the Probate process are entitled to receive a full distribution at the age of majority.

Restricting Property Use

A Living Trust may limit the control a surviving spouse has over property, yet still qualify for the marital deduction. Property is not subject to federal estate tax because of the marital deduction with:

1) An outright gift to the spouse
2) A trust providing all income with a power to specify who inherits the property at the spouse's death
3) A trust providing all income and principal on demand
4) A trust providing income as needed, with the trust property going to the spouse's estate at death
5) A trust providing for a "qualified terminable interest"

Minimizing Estate Taxes

A Living Trust can help minimize federal estate taxes. Our federal gift and estate tax system imposes a tax only where the taxable estate exceeds $1,500,000. There is also an unlimited gift and estate tax deduction for charitable gifts and transfers between spouses. Such gifts are tax-free, no matter how large.

The current federal gift and estate tax ranges from 18% to 45%. A Living Trust established by a married individual can effectively double the $1,500,000 exemption equivalent. Up to $1,500,000 could be kept in a Residuary of Unified Credit Trust for the use of the survivor, but not be included in the survivor's estate.

A married couple having an estate of $2 million would save over $215,000 in federal estate taxed at death of the survivor with this arrangement, compared to owning everything jointly and having the full estate taxable at the death of the survivor.

Property Management

A Living Trust can provide continuing property management now, upon disability or upon death. In this manner, trusted associated or professional trustees, such as a bank, can be named to invest and distribute your property when needed.

Who can use them?

Whether a Living Trust would be of benefit depends on your particular circumstances. You should consult financial and legal advisors before making a final decision. However, carefully consider establishing a Living Trust if any of the following apply to you:

- You wish to avoid the Probate process
- You are married and your taxable estate will exceed $1,500,000.
- You wish to restrict the time when your beneficiaries will receive their inheritance.
- You have minor children.
- You want to specify who will manage your assets, and in what manner, upon your incompetency or death.
- You wish to split some of your assets into a life use for some beneficiaries, with the property to pass later to others, such as a charity.

What next?

Contact your Church office or Conference Foundation to obtain additional information about Living Trusts and estate planning, including charitable gifts you may wish to make. All information will be kept confidential.