

Why You Need to Put Your Wealth in a Trust

Ensuring the Future of Your Legacy

[The Greatest Wealth Transfer in History](#) is underway. In the next 20 years, members of Generation X (those born between 1965 and 1980), Millennials (1981-1996), and Gen Z (1997-2012) are expected to [inherit \\$72 trillion](#) from Baby Boomers. This intergenerational transfer of wealth will dwarf any past transfer of wealth in the history of the world. Regrettably, past patterns show that in 90% of cases [family fortunes are squandered by the third generation](#), with nearly 60% of the time seeing the wealth exhausted by the children of the wealth creator.

The Wealth Earner Mindset Is Not Inherited by Younger Generations

The problem with intergenerational wealth arises in multiple ways. First, the person who created the fortune cannot pass down their expertise in making or growing a fortune along with the wealth they have created. Being an innovative entrepreneur does not guarantee that you will have children or grandchildren who will experience a similar flash of genius and invent the next great tech innovation. Other times, issues occur when parents, the wealth creators, fail to adequately prepare their children for managing inherited assets. Without proper training, these children may be ill-equipped to handle the responsibilities of wealth, leading to potential mismanagement and loss of the inherited resources. Additionally, children may be robbed of their ambitions by being over-indulged by their parents, resulting in a lack of motivation to pursue their own goals and achievements. This combination of inadequate preparation and diminished drive can significantly undermine the long-term preservation and growth of family wealth across generations.

If you want to secure the financial future for your children and grandchildren, it's imperative that you safeguard your assets, not just invest them wisely. To achieve the best possible outcome, you will need professional guidance. One proven way to prevent your family from becoming another sad statistic is to place your assets in a trust before handing them off to the next generation.

Wealth Management Is More than Just Good Investments

Investments in stocks, bonds, and tangible assets can grow your wealth, but these investments do not necessarily account for tax laws and inheritance issues. Your assets may grow, but your heirs may not reap the benefits due to taxation or other legal factors. Additionally, many investment advisors are rewarded based on incentives and commissions on trades, so their decisions cannot be considered wholly unbiased. Their focus is not on intergenerational wealth and they often lack the expertise to safeguard or help perpetuate your legacy.

Threats to Family Wealth Are Abundant

While minimizing estate taxes is obvious to everyone, there are additional threats to your wealth. Safeguarding your assets against divorce (you, your children, their children), frivolous heirs, legal judgments, and incapacitation are paramount.

Trusts provide protection against the greatest threats to your wealth:

1. **Creditor Protection:** Wealth held in a trust can be safeguarded from creditors. By carefully choosing the optimal jurisdiction and type of trust, your assets can be shielded from creditors seeking to satisfy debts or legal judgments.

2. **Divorce Protection:** Trusts can offer protection against divorce settlements. If a trust is structured properly and established prior to the marriage, assets held within the trust may be considered separate property and shielded from division in divorce proceedings.
3. **Estate Taxes:** Trusts can minimize estate taxes. Certain types of trusts, such as irrevocable life insurance trusts or charitable trusts, can help reduce the taxable value of an estate, significantly lowering the amount of estate tax owed upon death. Leveraging a dynastic trust structure can even avoid transfer taxes altogether into perpetuity.
4. **Asset Management:** Trustees have a fiduciary duty to monitor the assets management to ensure investment strategy and implementation are in the best interest of the trust's beneficiaries. This professional management oversight can help protect wealth from mismanagement or poor investment decisions.
5. **Privacy:** Trusts offer privacy and confidentiality. Unlike wills, which become public documents upon probate, trusts established in the right jurisdiction can remain private. This confidentiality can prevent public scrutiny of wealth distribution and protect family privacy.
6. **Incapacity Planning:** Trusts can protect wealth in the event of incapacity. By appointing successor trustees, individuals can ensure seamless management of their assets even if they become incapacitated, avoiding potential mismanagement or exploitation.
7. **Spendthrift Protection:** Trusts can safeguard against irresponsible spending. By structuring a trust with spendthrift provisions, the trustee can control the distribution of assets to beneficiaries, protecting the wealth from being squandered due to poor financial decisions or external pressures.

Embrace a Mindset of Long-Term Wealth

Wealth preservation is long term, extending beyond your lifetime and even that of your children and grandchildren. Trusts are an ideal instrument for long-term wealth protection, but you need to fully understand trust laws to create the right trust for you and your family. Talking with a trust expert is the best way to create a plan to nurture and safeguard your wealth for future generations.

Choosing the Best Trust Location

You can establish a trust in any state, regardless of where you reside. Trust laws vary widely from state to state and trusts established in the right jurisdiction can have a lasting and long-term impact on your legacy. A trust advisor can help you build the right trust in the right location. Nevada, South Dakota, Delaware, Alaska, and Wyoming are all good states for trusts, but South Dakota is widely considered the top jurisdiction in the nation for establishing trusts.

South Dakota benefits include no state income or capital gains tax, no rules against perpetuities, privacy protections, creditor protection for trusts, and more. South Dakota is also financially sound, with an AAA bond rating, balanced budget, and public pensions 103% funded. South Dakota's family advisor law provides more control to grantors of trusts, beneficiaries, and their advisors.

Choosing the Best Trust for You and Your Family

There are many different types of trusts. Selecting the optimal trust structure requires close collaboration with an advisor to evaluate your present circumstances, family objectives, and long-term family needs. If possible, engage multiple generations in these conversations to craft a trust that aligns with everyone's comfort level and fulfills all your goals.

For example, you may need an asset protection trust to protect your beneficiaries from the negative consequences associated with transfer tax laws, divorce settlements, or bankruptcy regulations. Or, you may need a dynasty trust to minimize the transfer tax burden and vulnerability to creditors. Your trust advisor can help you make the best choice.

Choosing the Right Trustee

Engaging expert support is the right approach, but you need to be careful because not all trustees are the same. Sometimes a trustee has hidden motivations that can negatively impact your trust strategy or put your wealth at risk.

Independence

It is vital that you choose an independent trustee. Independence ensures decisions are made solely in the best interest of your trust. Large bank trust companies and investment firms often suffer from conflicts between what is in the best interests of the trust and what is most profitable for their firm.

Independent trust companies, distinct from banks, operate autonomously, free from external influences and profit-based agendas. This ensures impartial and unbiased trust administration.

Personalized Advice and Support

Choose a trust company that values open communication and collaboration with timely and accessible resources for answering questions. True support involves timely responses to inquiries, personalized guidance and assistance, and proactively addressing concerns. Return calls should occur in hours, not days, and should involve someone who understands your trust and appreciates your concerns.

Fixed fees for Reliability

Fixed fees ensure independent and impartial trust management, because the trust company is not compensated by sales or broker commissions. Fixed fees also eliminate the uncertainty of fluctuating charges based on trust assets or market value, enabling effective budgeting and future expense planning. Further, flat fees support the idea that when a trustee provides a set suite of services, they should be entitled to a set fee for those services.

Comprehensive Services


Look for a trust company that collaborates with other professionals to provide integrated wealth management solutions, including legal, tax, financial planning, and investment management. This ensures holistic and coordinated advice, where everyone is fully versed in your trust and fully committed to your family's legacy.

Sterling – the Right Choice for Your Trust

Selecting the right trust company to preserve your legacy is a critical choice with lasting implications. Sterling Trustees is an independent, flat fee trust administration firm committed to growing and keeping your assets safe while leveraging all that South Dakota trust law has to offer. Sterling works with best-of-breed advisors to bring together estate planning, legal services, tax advice, and trust management, ensuring you have an elite, cohesive team committed to managing your wealth for generations to come.

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