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Achieving Financial Success™

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Practical Wealth Creation Ideas

...for Simplified Financial Success™

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What is the difference between A REVOCABLE AND IRREVOCABLE TRUST?

Your spouse, another individual, or a trust company could be the trustee of a living trust while you are alive. A living trust can be set up to create income for a disabled child, a spouse, or to meet the special needs of other children. You can pay out reasonable amounts of money over time as opposed to paying out a whole fortune at once.

A person can establish either a revocable or an irrevocable trust by way of a legal document. It sets forth directions to manage and/or distribute certain assets to designated beneficiaries while the settlor of the trust is alive. A revocable living trust is a trust of which the settlor can be a trustee and beneficiary, can add or sell assets to the trust, while maintaining control of modification or revocation (i.e. cancellation). Conversely, the settlor of an irrevocable living trust gives up these rights.

A living trust is treated as a separate taxpayer and can be taxed at a very high rate on income that is not allocated or distributed to beneficiaries. You may need to do ongoing, costly paperwork every time you dispose of an asset held or add an asset to the trust. Assets that can be held in trust include your home, vehicles, a cottage, or investments. The upside is that you can avoid probate on assets held within the trust.

Income Tax Treatment Income from assets in a revocable living trust is attributed back to the settlor who maintains control. On the other hand, income from an irrevocable living trust may be attributed to the trust's beneficiaries.

Steps to avoid CHALLENGES TO YOUR WILL

Over your lifetime you could accumulate a mutual fund investment portfolio of over one million dollars. Prepare your will with specific directions regarding your mutual funds. Avoid having your will contested due to these improper procedures, where:

• One beneficiary, such as a favoured child or a spouse of a second marriage, is suspected of influencing you to give them a larger share of your investment wealth.
• A son or daughter was deleted from your will without reasonable explanation.
• Your spouse to whom you left your portfolio rewrites his or her reciprocal will and thereby doesn't honour previously stated wishes (this situation can be avoided by a legally binding marriage contract).
• Your will has no witnesses or is otherwise invalid.
• A witness is also designated as a beneficiary, opening the way for the law to declare the inheritance and the will invalid. *Note:* A witness cannot be under age 18, incompetent, prejudiced, or one who signed outside of the testator's or another witness's presence.
• There are mutual funds held in an RRSP that should transfer as a rollover to a surviving spouse or dependent child, but a bequest of these funds is made to another beneficiary.