

Key Terms Related to Trust & Estate Planning

TRUSTS & ESTATES

TYPES OF ROLES RELATED TO TRUSTS

Agent for Trustee or Executor

A person or entity acting on behalf of an Executor or Trustee. Executor or Trustee still retains all liability.

Beneficiary

Person or entity who is entitled to a beneficial interest from a trust.

- **Contingent Beneficiary**
Beneficiary identified in the document whose interest becomes current upon some contingency occurring (e.g., death, attaining a certain age, college degree, etc.).
- **Discretionary-Only Beneficiary**
Beneficiary who only has access to the assets of a trust at the discretion of the Trustee. The Beneficiary must make a request for any distribution. Usually the Trustee will be allowed to use income or principal to satisfy the request, but they may be limited to one or the other.
- **Income-Only Beneficiary**
Beneficiary who only has rights to income from a trust and no access to the principal.
- **Primary**
Beneficiary who is usually the current Beneficiary and the Beneficiary for whom the trust assets are to be used for first. The Primary can be multiple people/entities and is sometimes called the Current Beneficiary.
- **Remainder Beneficiary**
Beneficiary identified in the document whose interest becomes current after a previous Current Beneficiary no longer has a current beneficial interest.

Custodian

The person or entity that has physical possession of the individual's financial assets that reside within a trust.

Executor

A person or entity responsible for administering an estate during Probate. Also known as a personal representative.

Grantor

The individual who creates the trust and is usually the source of the assets held in trust.

Trustee

The person or entity named in the document, or appointed by some other means, who is the fiduciary for the administration and investment of the trust assets.

- **Co-Trustee**
An individual or entity who shares the trustee responsibility with one or more other individuals or entities.
- **Directed Trustee**
An individual or entity serving in a limited fiduciary capacity where they are "directed" by an "Investment Advisor or committee" and/or a "Distribution Advisor or committee" to handle assets and distributions a certain way. When acting at the direction of one of these roles, the Directed Trustee is released from liability for those decisions and the liability shifts to the people serving in those roles. This structure is not allowed in all states.
- **Discretionary Trustee**
Person or entity responsible for all administration and assets of the trust.

Trust Protector

The person named in the document or appointed who retains certain rights and controls over the trust. This is usually not a fiduciary position and is typically limited to removal and appointment of Trustees and/or other basic functions or controls.

TYPES OF TRUSTS AND RELATED TERMS

Charitable Trust

An irrevocable trust established for charitable purposes that is subject to tax benefits.

Directed Trust

A type of trust where the investment liability and/or the distribution liability is with an individual or committee who directs the Directed Trustee on what to do. These types of trusts are not available in all states.

Irrevocable Trust

A type of trust that is not amendable or revocable and is usually used to gift assets out of an estate. Living Revocable Trusts also become Irrevocable upon the death of the Grantor. Irrevocable trusts have their own tax ID number.

Life Insurance Trust

An irrevocable, non-amendable trust which is both the owner and beneficiary of one or more life insurance policies. Upon death of the insured, the trustee invests the insurance proceeds and administers the trust for one or more beneficiaries.

Revocable Trust

A type of trust usually set-up by a Grantor and funded with their own assets, of which they are the trustee while they are alive. Usually called a Living Revocable Trust (with the tax ID number of the Grantor or Trustee). These trusts can be amended and/or revoked.

Special Assets

Usually used to define any asset that is not liquid or marketable securities (e.g., real estate, businesses, cars, art, oil/mineral rights, etc.).

Special Needs Trust

A type of trust where a beneficiary receives other benefits for their care and the trust needs to be administered in a way they do not become disqualified from receiving those benefits.

Trust Property

Assets that have been placed into a fiduciary relationship between a trustor and trustee for a designated beneficiary.

Trusts Under Will

Sometimes referred to as a testamentary trust; a trust which arises upon the death of the testator and which is specified in his or her will. A will may contain more than one trust under will and may address all of any portion of the estate.

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