

WAKEMAN LAW GROUP, INC.

Estate, Trust & Tax Attorneys

4500 E. Thousand Oaks Boulevard, Suite 101
Westlake Village, California 91362
(800) 366-1186 · (805) 379-1186 · (818) 889-1296
Fax (805) 379-4975
www.wakemanlaw.com

THE DYNASTY TRUST

The Dynasty Trust is an irrevocable trust designed to provide maximum flexibility for trustees and family members, while offering the greatest allowable accessibility to the trust corpus and deferring estate taxation for as long as possible.

The Dynasty Trust provides flexibility, accessibility and estate tax deferral.

FLEXIBILITY As with most irrevocable trusts, the funds held in the Dynasty Trust may be used after your death to buy assets from your taxable estate, or the Dynasty Trust funds can be loaned to your estate to provide liquidity to pay the often oppressive estate taxes which are due within nine (9) months of death.

The Trustee is also empowered to use the funds in the Dynasty Trust as a family bank, both during your lifetime and after your death. The funds in the Dynasty Trust can be distributed outright to your family members for their needs, or the Trustee may loan the funds to them. Significant tax savings and creditor protection can be achieved through loans rather than through direct distributions.

The Dynasty Trust can even own homes, boats, automobiles and family businesses as part of its assets. For example, if the Dynasty Trust owned the home in which your son, his wife and their children reside, they would be allowed to live in the house rent-free. They would be responsible for the daily expenses and upkeep. However, if your son was ever found liable in a lawsuit, the house would not be deemed an asset of his. Thus, his creditors would not be able to force sale of the home. Your family would be protected. This same argument would carry through if your son and his wife were to divorce. Since he does not own the house, he cannot be ordered to give it to his wife.

ACCESSIBILITY While flexibility and creditor protection are necessary, they are of little use to your family if they are denied access to the property in the Dynasty Trust. The Dynasty Trust is designed to provide your children and grandchildren. Distributions can be made by the Trustee to all of the beneficiaries that you choose, for their health, support, maintenance and education. These terms can be broadly defined. Education, for example, is defined to include tuition at all levels from nursery school through post-graduate education, as well as private tutoring, sports and music lessons, standardized test enhancement programs, travel and much more.

As you can see, the Trustee holds significant power over the Dynasty Trust. Matters concerning investment of Dynasty Trust funds and distributions of assets are the primary responsibility of the Trustee. Because distributions are limited to the standards set forth in the preceding paragraph, your children and later, your grandchildren, may act as Trustees even though they will also be the beneficiaries of the trust.

TAX DEFERRAL While the flexibility and accessibility available through the Dynasty Trust are important provisions, perhaps the single most important aspect of the Dynasty Trust is the incredible estate tax savings which it can afford your family.

Property which you transfer to an irrevocable trust, even one that is not a Dynasty Trust, will be made via gift, either as part of your \$16,000 annual gifts to your beneficiaries or through reduction of your available \$12,060,000 lifetime exemption (in 2022).

By giving property to an irrevocable trust, the property should not be deemed part of your assets for estate tax purposes. Thus, whatever you have given to an irrevocable trust and all of the growth thereon, will avoid tax at the time of your death.

The Dynasty Trust takes this concept one step further. In the ordinary irrevocable trust the property will pass tax-free to your children at the time of your death. However, when your children die, any remaining amounts of the property you have left to them, along with any wealth they have been fortunate enough to accumulate during their lifetime, will be taxed at rates up to forty percent (40%).

The Dynasty Trust is designed to avoid inclusion in your children's estates. When your children die, none of the property in the Dynasty Trust will be taxed. Instead, the Dynasty Trust will continue in existence for the benefit of your grandchildren, and their children when they die.

As you can see, the Dynasty Trust is one of the most powerful estate planning strategies available today. By combining maximum flexibility, accessibility and tax savings in one vehicle, you can truly keep your wealth in your family.