

Trusts Demystified: How Different Types of Trusts Can Benefit Seniors and Their Families

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Trusts are versatile and powerful estate planning tools that can provide a wide range of benefits for seniors and their families. Despite their complexity, understanding the various types of trusts and how they work can help older adults make informed decisions to protect their assets, provide for their loved ones, and achieve their estate planning goals. In this article, we'll demystify trusts by exploring different types and discussing how they can benefit seniors and their families.

Understanding Trusts

At its core, a trust is a legal arrangement in which a trustee holds assets on behalf of beneficiaries according to the terms set forth in the trust document. Trusts can be established during a person's lifetime (living trusts) or upon their death (testamentary trusts), and they can serve a variety of purposes, including asset protection, wealth transfer, and tax planning. There are several types of trusts:

Revocable Living Trust

- Allows the grantor (the person creating the trust) to retain control over the trust assets during their lifetime.
- Provides flexibility to amend or revoke the trust at any time.
- Avoids probate, which can save time and money for beneficiaries.
- Enables seamless management of assets in the event of incapacity.

Irrevocable Trust

- Transfers ownership of assets to the trust, under the management of a trustee.
- Provides asset protection from creditors and lawsuits.
- May offer benefits including reducing estate tax liability or qualifying for Medicaid/MassHealth eligibility.
- Typically cannot be modified nor revoked by the grantor once established.

Special Needs Trust

- Designed to provide for the ongoing care and support of a disabled beneficiary without jeopardizing eligibility for government benefits.
- Ensure proper management and investment of funds to meet the disabled beneficiary's ongoing needs.
- Enhance the quality of life for the disabled beneficiary by funding goods and services that support their basic needs.

Charitable Trust

- Supports charitable causes and organizations while

providing potential tax benefits for the grantor.

- Can be structured to provide income to beneficiaries for a specified period before transferring remaining assets to charity.
- Offers the satisfaction of making a lasting impact on charitable causes that align with the grantor's values and interests.

Benefits for Seniors and Their Families:

- **Asset Protection:** Trusts can shield assets from creditors, lawsuits, and long-term care expenses, helping seniors preserve their wealth for future generations.
- **Probate Avoidance:** By bypassing the probate process, trusts enable faster distribution of assets to beneficiaries and maintain privacy for the family.
- **Medicaid/MassHealth Planning:** Irrevocable trusts can help seniors qualify for long-term care benefits while protecting assets for their spouse and/or heirs.
- **Legacy Planning:** Trusts allow seniors to dictate how their assets are distributed after their passing, ensuring their wishes are honored and their loved ones are provided for.

Trusts are valuable estate planning tools that offer seniors and their families numerous benefits, including asset protection, probate avoidance, and tax planning opportunities. By understanding the different types of trusts available and consulting with an experienced estate planning attorney, seniors can create personalized trust strategies to achieve their goals and secure their legacies for generations to come.

The information contained in this article is not intended to make you an expert on estate planning nor is this article intended to replace the need for the advice of a professional.

Rather, this article is simply intended to provide a basic understanding of why estate planning is important for everybody and a basic understanding of some of the more common estate planning tools. This article does not constitute legal advice.