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Estate Planning and Elder Law

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TRUSTS

Settlor - creator of the trust

Trustee - manager of the trust

Beneficiary - person(s) who receive trust benefits

IRREVOCABLE LIFE INSURANCE TRUSTS (ILIT)

This trust protects you from paying estate and/or inheritance taxes on your life insurance policy because you are no longer the owner of the policy. You may still make premium payments out of your own pocket. The trust owns the life insurance policy and not you. However, if you pass away before the end of three years, the insurance remains estate and/or inheritance taxable.

Q-TIPS

This type of trust is typically used to protect the children from a first marriage. This trust enables the second spouse to utilize the interest on the principal without wasting the principal so when the second spouse passes away, the children from the first marriage still have the remaining principal. The second spouse may use the principal if the trustee believes it is necessary. The theory is to protect the children from the first marriage so that they have access to as much of the full principal as possible at the time of the second spouse's death.

OFFSHORE ASSET PROTECTION TRUSTS

This type of trust protects the client from potential lawsuits because the assets held in offshore accounts are under the protection of the laws of that country and not the U.S. Hence, recovery by creditors becomes much more impractical. This type of trust can protect spendthrift beneficiaries, avoid forced heirship rules, provide for the non-enforcement of foreign judgments, avoid the rule against perpetuities and restrictions on accumulation, be used as a premarital planning vehicle which can complement or substitute a prenuptial agreement, and allows for more privacy and confidentiality than domestically held trusts.

SPECIAL or SUPPLEMENTAL NEEDS TRUSTS (SNT)

This trust protects your loved ones from being disqualified from government benefits like Medicaid simply because they have received an inheritance. The primary beneficiaries of these types of trusts are individual(s) receiving welfare and other government benefits. This trust enables the individual(s) to continue receiving the government benefit while also inheriting funds from you. Typically, the money in these trusts provides for expenses like recreation.

This information is intended for general information only and does not constitute legal advice.

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