

Estate Planning Law Newsletter

ENCOURAGE YOUR FAMILY TO ACHIEVE

We often hear clients express concerns about family members wasting their inheritance or losing their motivation to achieve if they become the beneficiary of a sizable trust. To address this concern some grantors of trusts rely upon third party trustees, such as a bank or trust company, with discretion to determine when to make distributions and how much to distribute. Other grantors are comfortable if beneficiaries can receive trust principal only after reaching certain ages, hoping that with age comes wisdom and maturity. Some grantors, however, may want to leave a stronger expression of their thoughts about when and how trust assets should be used.

An "incentive trust" can serve this purpose. You can include specific language in the trust designed to encourage or discourage certain types of behavior. For example, you may wish to encourage self-sufficiency. If so, you can state that the beneficiary will be entitled to receive trust distributions not greater than the amount he or she earned from gainful employment in the previous year. Another method is to tie trust

distributions to attaining a college degree or maintaining a certain grade point average.

If one of your family members is prone toward self-destructive behavior, you may wish to provide that he or she will receive trust distributions only if the beneficiary remains drug-free or continues to receive counseling. The possibilities are endless and we can tailor them to your particular situation.

Be advised that incentive trust provisions should not be included without careful thought and planning. While you can set objective standards for achievement, flexibility is also a key ingredient. It is important to plan for possible life changes, such as unexpected disability or illness, so that a beneficiary is not restricted from access to funds if needed for such emergencies.

If incentive trusts interest you, please contact us. We will be happy to explore this option with you and help you to create the right trust for your beneficiaries' needs.

If you wish to obtain further information regarding these matters, please contact either the Gallop, Johnson & Neuman attorney who normally provides or manages your legal services or an attorney in the Firm's Tax & Estate Planning Department. Attorneys include:

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