



SHARING THE WEALTH:

5 Reasons Trusts Are More Relevant Than Ever

In the past, trusts were generally structured with a focus on tax consequences and preserving wealth. With a rise in blended families, complex family holdings and asset protection concerns, estate planners and wealth advisors are more and more recommending trusts for a variety of non-traditional reasons.

While the traditional reasons still exist, additional drivers for establishing trusts are outlined below:

1 ESTABLISH A FAMILY LEGACY



To create a plan for passing wealth to future generations and establishing an enduring legacy



- Only 10% of high-net worth parents tell their children what they will inherit¹



- Starting in 2031, 10% of the total wealth in the U.S. will change hands every five years²

2 CHANGES IN FAMILY STRUCTURES



To protect assets in the event of a remarriage or blended family



- In 40% of marriages, at least one spouse was married before³



- Divorcees need their income to increase more than 30% to maintain the standard of living before the divorce⁴

3 SAFEKEEPING ASSETS



To protect against spendthrift beneficiaries or litigation



- 70% of wealthy families lose their wealth by the second generation in the U.S. and 90% lose it by the third generation⁵



- 82% of individuals with \$5 million or more in assets feel their wealth makes them a target for lawsuits⁶

4 ATTRACTIVE STATE TRUST LAWS



Competition among some states to create attractive trust environments provides real opportunity



- Tennessee is one of the top states to establish and maintain a trust⁷
 - ✓ No state estate or inheritance taxes
 - ✓ No state income tax for non-residents and no capital gains tax
 - ✓ Top-tier asset protection laws
 - ✓ Streamlined trust modifications
 - ✓ Dynasty trusts up to 360 years
 - ✓ Community property trusts

5 PRIVACY AND CONFIDENTIALITY



Features like the revocable trust as an estate vehicle can simplify probate and provide confidentiality to settlors and their family members



- Probate can cost 3-7% or more of the total estate value⁸



- Anecdotally, close to half of families report disputes during the estate planning process

Thoughtful planning ensures that the grantor's wishes are carried out and their legacy enhances the lives of the beneficiaries.



TRUST COMPANY

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This piece is not intended as tax or legal advice. All trust and estate services provided by Pendleton Square Trust Company, LLC, a Tennessee chartered independent trust company.

Sources: 1. Washington Post. 2. Accenture. 3. Pew Research Center. 4. Mark A. Fine and John H. Harvey, "Handbook of Divorce and Relationship Dissolution." 5. Nasdaq. 6. ACE Private Risk Services. 7. Tennessee Bankers Association. 8. Investopedia.