

## **Beneficiary Protection Planning**

Protecting an inheritance from being lost in a divorce or to a beneficiary's creditors is a serious concern for many individuals. Many parents and grandparents fear that their children and grandchildren lack strong financial decision making skills. With divorce rates exceeding 50% nationally, many parents and grandparents worry that their inheritance may end up in the hands of a former spouse.

A properly drafted trust can help achieve protection of inheritance. This can be achieved at the most simple level by allowing a beneficiary to leave assets in the trust until he or she wants them, or at the most restrictive level requiring assets to be maintained in trust for a beneficiary's life.

### **Illustrations:**

Sally and Bob have two children, Jenny and Jim. Jenny is a doctor and Jim is in a rocky marriage. Sally and Bob have a will that distributes property to the two children at their death. When Sally and Bob pass away, Jenny has a malpractice judgment against her. As a result Jenny loses all of her inheritance. Jim's spouse decides to divorce him and takes a portion of Jim's inheritance.

Instead of a will, Bob and Sally have a trust that allows a beneficiary to keep assets in the trust until he or she requests them. Bob and Sally pass away. Jenny decides to leave her inheritance in the trust and, therefore, it is protected from her judgment creditor. Jim's share cannot be reached during the divorce. The trustee can make distribution to Jenny and Jim when necessary to satisfy their needs and still keep it protected from third parties. Incorporating a trust into their estate plan allows Bob and Sally to make sure their inheritance gets to their intended beneficiaries.

A properly drafted trust can also make sure that an inheritance continues to reach your intended beneficiary.

Alan and Betty have one daughter, Tina. Tina is married and has three young children, who Alan and Betty adore. Alan and Betty give their property directly to Tina who places her inheritance in a joint account with her spouse, George. Unfortunately, Tina dies and George inherits everything. George remarries and has a child from his new marriage. Upon George's death he gives all of his property to his new spouse. The new spouse's will provides that all of the property passes to her child with George. Alan and Betty's grandchildren will never receive the property which they left to Tina.

One alternative would be for Alan and Betty to leave Tina's inheritance to her for life in Trust. The trust provides that upon Tina's death, the property in the trust passes to Tina's three children. This avoids Alan and Betty's son-in-law having access or control and makes sure if anything happens to Tina, Alan and Betty's grandchildren are taken care of.

Protecting your intended beneficiary is one important reason to consider a trust. Please contact me if you have any questions or concerns about the best ways to protect your loved ones.