

The Wealth Advisor

A monthly newsletter for our valued clients

Have You Considered a Dynasty Trust for Your Family's Estate?

Why You Should Think Twice Before Ruling One Out

When most people hear the term "dynasty trust," they assume it's something for only the wealthiest of families. However, dynasty trusts are not as out of reach as you might think, and can be used by many more families of a greater wealth spectrum than currently use them.

Demystifying dynasty trusts

Dynasty trusts keep your wealth within your family for a long time. When properly designed, they can last forever.

Dynasty trusts are, however, irrevocable and are therefore perceived by some as inflexible. Since adjustments to this type of trust require a great deal more work than they do for a garden-variety revocable living trust you are probably more familiar with, we need to have an in-depth understanding of your needs and goals to create your family's dynasty trust.

But for many families, the benefits far outweigh the drawbacks of irrevocability and perceived lack of flexibility. While there are several types of laws affecting these trusts that vary state-to-state, dynasty trusts offer several benefits:

- They consolidate and build intergenerational wealth, allowing you to create long-term security for your family.
- They help avoid estate, gift, and generation-skipping transfer taxes. Although these taxes are unpopular with President Trump and Congressional Republicans, history tells us that tax policy can change after any election. Any comprehensive estate plan must consider this possibility.
- They protect your beneficiaries' inheritance from creditors and divorce.
- When creatively designed, they can even incentivize desirable behavior from your trust beneficiaries.

How is a dynasty trust different than other types of irrevocable trusts?

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Condie & Adams, PLLC is a values-driven law firm committed to providing individuals, families and small businesses with personalized, client-centered legal services in estate planning, probate and trust administration, tax planning, and related legal matters.



Simply put, a dynasty trust is one that is designed to consolidate and build intergenerational wealth over a very long time. Other common types of irrevocable trusts you've heard about (like GRATs, ILITs, QPRTs, CRTs, etc.) are created to achieve a particular tax result. Dynasty trusts build on these planning strategies and are appealing because they allow you to take a long view of estate planning for your family.

Why is now the time to explore this option?

In today's favorable tax and legal environment, dynasty trusts can make more sense than ever - especially if your family has significant life insurance policies, a small business, or other assets that might increase in value significantly (like founder's stock or vacant land in a fast growing area).

Families haven't always had such wide opportunities to explore dynasty trusts. Many states have laws against perpetuity designed to prevent trusts from lasting many generations. While these laws still exist in some states, there is a trend toward less rigid application or even outright removal of these rules. Admittedly, one reason for the growth in popularity of these trusts is that financial institutions stand to benefit from management fees associated with them. But your family benefits as well because wealth that's consolidated and managed (as in the case of a dynasty trust) tends to be more likely to be preserved and successfully pass from one generation to the next versus wealth that's divided and distributed (as in the case of many garden-variety estate plans).

Is a dynasty trust right for you and your family?

Most people think of dynasty trusts as something only the highest net worth families would even consider. And while they do require the help of a skilled estate planning attorney who can navigate the complex interplay between state and federal laws, they can be an attractive option for your family. Dynasty trusts offer an excellent method to pass along lifelong financial security to your loved ones for generations to come.

Give us a call today to talk about how we might build a dynasty trust that stays with your family through whatever the future may bring. We will make sure it complies with all applicable laws, provides maximum protection for your legacy and furthers your goals.

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