

The Wealth Counselor

A monthly newsletter for wealth planning professionals

Dynasty Trusts - A Planning Tool for the Masses?

Think Twice Before Ruling One Out

When most people hear the term “dynasty trust,” they assume it is something for only the wealthiest of families. Dynasty trusts are not as out of reach as many people and advisors might think, and can be used by many more families of a greater wealth spectrum than currently use them. Read on to see whether this type of trust is the perfect estate planning solution for keeping your clients’ financial resources within the family from one generation to the next.

Demystifying dynasty trusts

Dynasty trusts keep your clients’ wealth within their family for a long time. When properly designed, they can last forever, which is a draw for many individuals and families who want to ensure lasting security. Dynasty trusts are, however, irrevocable. That means that adjustments to the plan require a great deal more work than they do for a garden-variety revocable living trust. Planning with dynasty trusts requires crucial conversations with clients to develop an in-depth understanding of their needs and goals.

However, 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 from state-to-state, dynasty trusts offer several benefits:

- They consolidate and build intergenerational wealth (providing you an opportunity to build your book of business and deepen your relationship with generations of families while providing your clients with peace of mind and security).
- They help avoid estate, gift, and generation-skipping transfer taxes.
- They protect your client’s wealth from creditors and divorce.

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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.



- When creatively designed, they can incentivize desirable behavior from trust beneficiaries.

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

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 (like GRATs, ILITs, QPRTs, CRTs, etc.) are created to achieve a specific tax result. Dynasty trusts build on these other planning strategies and are appealing because they allow your clients to take a long view of estate planning for their family.

Why is now the time to explore this option with your clients?

In today's favorable tax and legal environment, dynasty trusts can make more sense than ever - even for a family with \$1 million of wealth. Any clients that have 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) should have a talk with us about whether a dynasty trust makes sense.

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. One reason for this is that financial institutions stand to benefit from management fees associated with dynasty trusts. However, your clients' families benefit 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 to the next generation versus wealth that's divided and distributed (as in the case of many garden-variety estate plans). A dynasty trust is a win-win for you and for the families you serve.

Do you have clients who would benefit by implementing a dynasty trust?

Most people think of dynasty trusts as something only the highest net worth families should even consider. In reality, they are something that is a great solution for many families. Although they require the help of a skilled estate planning attorney, who can navigate the complex interplay between state and federal laws, along with the qualified long-term investment advice that you offer, the rewards of asset consolidation, preservation, and growth make them an attractive option for your clients. For you, they also provide an opportunity to build trust and connect with multiple generations of your clients' family.

Don't pass up the opportunity to discuss these trusts with your clients. Dynasty trusts provide the perfect structure to build and maintain long-term relationships with families and help them consolidate and build assets from generation to generation. Give us a call today to see how a dynasty trust can help you and your clients.

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