

Business Journal Socials

Thursday Night Social

Stop by our host location for the Business Journal Social! Get a bite to eat or a cocktail, and decompress. Meet some new people or catch up with old friends. Maybe even stick around for dinner! Good friends, great food, it's a super way to spend a Thursday evening at the Lake! This month's location is March 14th, at The City Grill, sponsored by TXR Architects.

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A Matter of Trust

with **Trenny Garrett, Central Trust & Investment Company**
The Language of Trusts

Many professions and disciplines have their own vocabulary. For example, think about the terminology used in medicine and law. Often this vocabulary defines complex ideas, yet just as often "terms of art" can be defined with relative ease to a layperson. Let's examine some key terms regarding trusts.

Elements of a Trust

Think of a *trust* as a container, a place to hold assets (for instance, cash or securities). It is an arrangement in which the ownership of assets is given to someone else, the *trustee*—usually a financial institution such as ours, but sometimes an individual. The trustee keeps possession of and control over the assets in the trust and is said to have *legal title* of these assets, which allows the trustee to exercise most property rights. The trustee's responsibilities and duties with regards to the trust's assets are delineated in the *trust agreement*.

The trustee manages the assets in the trust for the *trust beneficiaries*, the recipients of the trust's income and principal. The beneficiaries are considered to have *equitable title* to the trust's assets, meaning that they have the right to benefit from the assets managed by the trustee.

For Whom Trusts are Established

The most common term to describe the person who establishes a trust is *grantor*. Other terms are *settlor* or *trustor*. Beneficiaries may be described as either *primary* or *secondary*. A primary beneficiary is someone who is entitled to receive immediate benefits from the trust's assets. A secondary beneficiary's interest in a trust is postponed or subordinated to that of the primary beneficiary.

When initially creating a trust, one person (or persons such as a husband and wife) may be the



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grantor, trustee and beneficiary. This is typically the case when a married couple creates a trust for estate planning purposes. They are the grantors, the trustees and the beneficiaries. Furthermore, the trust will name a successor trustee, which is a financial institution or individual, who steps in when the original trustee(s) is incapacitated or dies.

Descriptions of Trusts

Trusts may be *revocable* or *irrevocable*. A revocable trust is the more flexible of the two. The grantor can make any changes to the trust that he or she feels are warranted, at any time, and can cancel the trust altogether, if necessary. An irrevocable trust is set in stone. The trust agreement generally may not be changed or cancelled.

Sometimes a trust is referred to as a *grantor* or *nongrantor* trust. The status of a trust as grantor or nongrantor affects the grantor's federal income and estate tax liability. In a grantor trust, the grantor holds such a degree of control over the trust's assets that he or she is considered the owner of the assets for tax purposes.

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