

## Get Tax Benefits, Protect Your Assets With An Irrevocable Trust

An Irrevocable Trust is a trust which, once set up, cannot be changed or canceled without first getting the permission of the beneficiary. The grantor may not withdraw contributions from the trust. There are certain tax advantages accruing when the trust is irrevocable. Using this type of trust a person is allowed to give away his or her assets or money even before death, which is not possible in the case of a revocable trust. Thus, an irrevocable trust is a trust that becomes permanent after being established and may not have changes made to it or be revoked once formed.

There arrangement must be set up per the grantor's wishes. In establishing the arrangement for estate planning purposes, the goal of the trust would be to minimize federal estate tax savings. If passing on real estate or other property, the grantor will be giving away the property to the beneficiary permanently. This would mean that the grantor no longer owns the property and so it does not qualify as part of the total estate and no federal estate taxes need to be paid.

In the event the grantor takes out a life insurance to pay for the federal estate taxes, this may then be the only asset of the trust and it would be possible for the policy to be separate from the grantor's estate and not subject to taxation. The most ideal situation is one where the trust is formed prior to taking out a life insurance policy. The trust is named as the owner and beneficiary of the life insurance policy. The trust purchases the Policy instead of the estate owner. This makes it separate from the estate of the grantor and therefore not subject to federal estate taxes.

A typical Irrevocable Trust Agreement will have the following components:

- ? Date, Name & Address of the Grantor and Name & Address of the Trustee
- ? Agree to Transfer of Trust
- ? Disposal of Principal and Income
- ? Any additions to the Trust
- ? Compensation paid to Trustee
- ? Successor Trustees
- ? Laws that Govern Trust
- ? Witness
- ? Signatures of Grantor, Successor Trustees, Trustees
- ? Notarization

For the purpose of taxation, an irrevocable trust is a taxable entity quite unique and different from the grantor. If a Grantor places his or her assets into an irrevocable trust before his death, the assets no longer form a part of the estate of the grantor and so do not qualify for consideration as part of the grantor's estate.

In case an estate or irrevocable trust does not have a FEIN (federal employer identification number), then there is no need to enter the decedent's or trustees social security number in the identification number entry on Form 593-B.

A well created and carefully drafted agreement is necessary because once drawn up, it cannot be changed without the approval of the beneficiaries. An irrevocable trust is very frequently used for charity, especially by organizations or by millionaires (high net worth people) for managing inheritances. A trust may also be the central cog for institutions founded by individuals or groups, existing for the sole purpose of ensuring long-term financial feasibility of the beneficiary.

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