

Protecting Estates and Benefiting Families: Generation-Skipping Trusts

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Estate planning is about more than just tax savings—it's about families. Effective estate planning includes preventing future generations from wasting their inheritance through bad business deals, gambling, or other means. It's also about protecting future generations from predators who may give bad investment advice, creditors who may try to gain access to family money, and ex-spouses who may try to take advantage of family members.

Estate planning may not keep your heirs from experiencing these woes, but an estate plan that includes a generation-skipping trust (GST), together with the right trustee, can prevent heirs from losing their whole fortune due to these culprits. Successful people who have worked hard to accumulate significant wealth and enjoy a comfortable lifestyle during their retirement frequently want to pass some of their wealth to future generations. Such people may find that a GST provides a unique estate-planning opportunity.

Under a GST, the second generation (grandchildren) is the principal beneficiary; the first generation (children) is the executor. A GST can allow the first generation to receive income from the property while they live, but the trust principal is preserved for the grandchildren. The children only receive income from the trust, and use its principal for items that benefit the grandchildren, including health care, housing, or tuition bills. At the death of the income beneficiary, the principal passes to the next generation.

A GST also provides an ideal solution for protecting family wealth from claims of creditors. If the first generation children are involved in business activities with a high risk of creditor claims, or they are asked to sign personal guarantees for banks or other lenders, a GST can provide protection. Since the interest is accessible only to the children, and not their spouses, bad financial or life decisions will not reduce the principal of the trust. In addition, clauses can be constructed to prohibit any spousal rights to the interest income in the case of a divorce.

Proper estate planning with a generation-skipping trust can potentially provide the security and stability that families seek for future generations. Contact your financial or tax advisor for more information.

Scott White is president of the Financial Planning Association Southwest Florida Chapter. He is past president of the Southwest Florida Chapter of the American Society of Financial Service Professionals, past president of the Lee County Estate Planning Council, and founding president of the Planned Giving Council of Lee County. For more information, visit www.scottwhiteadvisors.com or call (239) 936-6300. Scott White Advisors is an independent Registered Investment Advisor and is located at 1510 Royal Palm Square Boulevard, Fort Myers, Florida 33919. Securities offered through Raymond James Financial Services, Inc., member, FINRA/SIPC.