



Preserve Your Protected Assets with a Spendthrift Trust

A spendthrift trust is an irrevocable instrument that a grantor/settlor establishes with important safeguards for the benefit of someone other than themselves. It contains language designed to preserve trust principal and income (collectively, “Protected Assets”) from the claims of creditors and diminishment by inappropriate decisions made by a beneficiary who may be prone to poor financial management or suffer from foreseeable bad circumstances.

Protected Assets are not accessible by a beneficiary’s creditors (an outgoing spouse in divorce or a judgment resulting from a lawsuit) or a beneficiary’s wasteful and poor decisions (drug and alcohol abuse, excessive spending, or bankruptcy). In order to be effective, a spendthrift trust must be established with care at a time when neither the grantor/settlor nor beneficiary have known claims against them, and the Protected Assets may be competently administered by a Trustee and his or her team of professional advisors.

In its most extreme form, the spendthrift trust would contain purely discretionary distributions of principal and income that would enable the Trustee to provide access to Protected Assets in times of good and serve a basis for denying distributions in times of bad. Once funds are distributed to a beneficiary or if the beneficiary has a current right to withdraw funds held in trust by making demand of the Trustee, such assets are no longer protected and may be subject to forfeiture. Protected Assets may be sheltered for use by future generations.

You have worked hard to establish wealth and would be well served to consult with your advisory team (investment advisor, lawyer, and accountant) to appropriately coordinate and preserve the same.

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Learn more about preserving your Protected Assets with a spendthrift trust. Our ensemble of financial advisors is here as your trusted partner.

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