



The Wealth Advisor  
*Presented by*  
Wilson Law Group, LLC  
~Spring 2015~

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## How to Easily Integrate Asset Protection Trusts into Your Estate Plan

Asset protection has become a common goal of estate planning. Asset protection trusts come in many different forms and can be used to protect property for your use and benefit as well as for the benefit of your family. In this issue, you will learn how you can easily integrate asset protection trusts into your estate plan.

### **What is An Asset Protection Trust?**

An asset protection trust is a special type of irrevocable trust in which the trust funds are held and invested by the Trustee and are only distributed on a discretionary basis. The purpose of an asset protection trust is to keep the trust funds safe and secure for the benefit of the beneficiaries instead of having those assets be an available resource to pay a beneficiary's debts.

Asset protection trusts come in two forms: third party trusts and self-settled trusts. A third party trust is set up by one party for the benefit of another, while a self-settled trust is set up by one party for their own benefit.

### **Third Party Asset Protection Trusts Equal Inheritance Protection**

Leaving an inheritance outright to your child or grandchild without any strings attached is risky in this day and age of high divorce rates, lawsuits, and bankruptcies. Aside from this, your beneficiaries may not have developed the financial skills necessary to manage their inheritance over the long run. There is also the very real risk that an outright inheritance left to your spouse will end up in the hands of a new spouse instead of in the hands of your children or grandchildren. Finally, a beneficiary may be born with a disability or develop one later in life that will end up rapidly depleting their inheritance to pay for medical and other bills.

There are a number of different types of third party asset protection trusts that you can establish to insure your hard earned money is used only for the benefit of your family:

1. Trusts for minor beneficiaries – Minor beneficiaries cannot legally accept an inheritance, so a discretionary trust for a minor is a necessity.
2. Trusts for adult beneficiaries – Adult beneficiaries who are not good with managing money, are in a lawsuit-prone profession, have an overreaching spouse, or have an addiction problem will benefit from a lifetime discretionary trust.
3. Trusts for surviving spouses – If you are worried that your spouse will not be able to manage their inheritance, will remarry, or will need nursing home care, you can require your spouse's inheritance to be held in a lifetime discretionary trust.
4. Trusts for disabled beneficiaries – Disabled beneficiaries who receive an inheritance outright run the risk of losing government benefits and would need to spend down the funds to requalify, but an inheritance left to a special needs trust can be used to supplement, not replace, government assistance.

***Planning Tip:** Asset protection trusts designed for inheritance protection can be as rigid or as flexible as you choose. For example, a beneficiary can be added as a co-trustee at a certain age or after the beneficiary reaches a specific goal such as graduating from college. Another option is to name a corporate trustee, such a bank or trust company, but give the beneficiary the right to remove and replace the corporate trustee with another one.*

You can also make trust distributions as limited or as broad as you choose. For example, you can state that the funds can only be used to pay medical bills or for education, or the Trustee can be given broad discretion to make distributions in the best interest of the beneficiary. You may also want to require the Trustee to take into consideration the beneficiary's income and other assets before making distributions. Alternatively, the Trustee can be given the authority to deplete the trust in favor of one beneficiary to the detriment of other beneficiaries. If there are multiple beneficiaries, such as a trust for the benefit of your spouse and your children, the Trustee can be directed to give preferential treatment to one or more beneficiaries over the others.

### **Self-Settled Asset Protection Trusts Are the New Frontier**

The basic premise of a self-settled asset protection trust is that a person can transfer their own assets into the trust and retain a beneficial interest in the assets to the detriment of their creditors. Until the late 1990s, self-settled asset protection trusts were not recognized in the United States. Prior to this, a self-settled asset protection trust was required to be established offshore in an exotic place such as the Cook Islands or the Cayman Islands. In 1997, Alaska became the first state to recognize self-settled asset protection trusts, followed closely by Delaware. Since then, a handful of other states have enacted self-settled asset protection legislation in some form, bringing the current total to fifteen:



## States with Self-Settled Asset Protection Legislature

- Alaska – 1997
- Delaware – 1997
- Hawaii – 2010
- Mississippi – 2014
- Missouri – 2004
- Nevada – 1999
- New Hampshire – 2009
- Ohio – 2013
- Oklahoma – 2004
- Rhode Island – 1999
- South Dakota – 2005
- Tennessee – 2007
- Utah – 2013
- Virginia – 2012
- Wyoming – 2007

A domestic (rather than offshore) self-settled asset protection trust avoids some of the burdensome IRS reporting requirements. While the laws of these states vary widely, in general they require the trust to be irrevocable, at least one trustee must be a state resident or a corporation authorized to do business in the state, and some assets need to be located in the state. From there the laws differ on “exception creditors” (creditors who can still access the trust assets, such as an ex-spouse who is owed alimony or a child who is owed child support) and statutes of limitation with regard to preexisting and future creditors (1.5 years to 6 years).

***Planning Tip:** You should be aware that there are only a limited number of U.S. cases interpreting domestic asset protection statutes and this type of planning is still developing. Nonetheless, when layered with other types of asset protection planning, including liability insurance, third party asset protection trusts, and limited liability entities such as LLCs or corporations, a domestic self-settled asset protection trust offers another tool in your planner’s toolbox designed to put up roadblocks between your assets and your creditors.*

### The Bottom Line on Asset Protection Trusts

Asset protection trusts offer many planning opportunities for people of even modest means. We are available to answer your questions about asset protection trusts and help you integrate this type of planning into your estate plan.



## April 13-17 is National Retirement Planning Week

While Baby Boomers have redefined life at every corner, their lasting legacy may be in how Americans prepare for their retirement years. Through the course of their working years, a unique set of challenges has emerged, including changes in employee benefits, longer life spans, uncertainty with Social Security and Medicare, as well as rising cost of health care. As a result, preparing for and financing one's retirement is now increasingly difficult, with more Americans shouldering the burdens themselves. This new paradigm is largely responsible for the confidence deficit observed among Baby Boomers.



“We understand how the challenges of every day priorities and the pressures of looking at the future can make planning for retirement initially seem daunting, but it certainly doesn't have to be,” said *Wayne Wilson*”. Carving some time out on a

routine basis to review your finances and assess you financial preparedness for retirement is an achievable first step. Being proactive about planning and seeking professional guidance when warranted can help Americans achieve financial freedom.”

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## April is National Financial Literacy Month

### The Keys to Getting Millennials Financially Educated

*Nandita Bakhshi, Head of Consumer Bank, TD Bank*

For generations, young adults entering the "real world" have been confronted with the sudden reality of having to pay bills, find a job, and potentially make one of the biggest purchases of their lives, be it a car or a home. But now, with the amount of student loan debt reaching record levels, the financial pressures on our nation's youth are greater than ever.

To handle these pressures, millennials need to be financially savvy. Year after year in the United States, we have celebrated Financial Literacy Month in April. Yet it seems that we still lack a sufficient understanding of young people's experiences with and attitudes towards financial literacy.



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It is time for that to change. According to TD Bank's recent Financial Education Survey, 76 percent of millennials are seeking some type of financial advice, whether that be on basic information, such as savings accounts and checking accounts, to more complicated items, like mortgages or starting a small business.

To gain a deeper understanding of the sources that these young adults turn to for financial information and advice, as well as their banking behaviors and preferences, TD Bank polled more than 2,000 millennials ages 18-34. The results shed light on the types of financial issues, programs and resources that should be advanced in order to substantially increase financial literacy levels among young people.

### **Family as Financial Educators**

According to the survey, family members are a significant influence in millennials' financial decisions, with 49 percent saying their parents shape their banking and financial views, and 40 percent of them also turning to their families for advice on basic money matters.

It is wonderful that millennials can turn to those closest to them when they need help, but the support should not stop there. Parents and guardians should feel empowered to start financial conversations early and be transparent about how money works. Unfortunately, many parents may not have the financial savvy to help their young adult children with their personal finance questions. Banks and other financial institutions should provide the guidance families need to feel confident and knowledgeable in this space.

### **Stores and Online: Banking of the Future**

Banks are not just about transactions anymore. In fact, 54 percent of millennials reported going to their bank for financial information and advice. Bank professionals can help young people better understand when it's time to transition from a student checking account, the pros and cons of owning a home versus renting an apartment, and how to start saving for a long-term goal, like a dream vacation.

Mobile and online banking is also increasing in importance for millennials. Our survey found 90 percent of young adults are doing their banking online or on their mobile device. Most often, when banking on their mobile device, millennials are paying bills, transferring money between checking and saving accounts, or just checking their account balances. For millennials, financial education can guide the transition from asking friends and family for advice, to open and transparent conversations with their bankers, to better utilizing mobile bank technologies in this rapidly changing landscape.



## Skipping Out on Personal Finance 101

Given that some schools in the U.S. don't have the resources to provide financial literacy classes, many people enter adulthood without understanding the basics of personal finance. Our survey found that only 31 percent of millennials have had formal financial education training and a staggering 69 percent received no financial literacy lessons at all.

We should encourage teens and 20-somethings to invest the time to take personal finance classes, whether that's through seminars at a bank or online courses. Increased school funding to create this kind of curriculum could be instrumental in addressing this gap. But this is a longer-term solution. With many free resources already out there, young people can take greater charge of their own financial destinies by finding the right book, course, mobile app or resource for them. Banks should make it easy for millennials to attend seminars; they should provide simple yet useful tips and tools on their website or work with schools to offer free financial education programs.

Increased financial education is a key to supporting the success of both individuals and our society as a whole. Parents and guardians can be influential in increasing the financial literacy levels of young Americans, just as financial institutions themselves can and should be further leveraged. But ultimately, millennials themselves must take the initiative to self-educate. If we all work together -- and start right now -- we can help create financial savvy and confident young consumers.

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## Upcoming Workshops

*Remember, you can register online at [wilsonlawgroup.com](http://wilsonlawgroup.com)  
or by calling our office at 608-833-4001.*

**Leaving a Charitable Legacy – All RWay Members**

May 14, 6:30 – 7:30 p.m.

**Trustee Training – The Trust Process – All RWay Members**

June 11, 6:30 – 8:00 p.m.

**Trustee Training – The Administrative Process – All RWay Members**

June 18, 6:30 – 8:00 p.m.

**Funding Your Trust**

**THIS WORKSHOP HAS BEEN CANCELLED**

**Our Biannual RWay Forum is April 16, 2015 *looking forward to seeing you there!***



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## This Month in History

**April 3, 1860** - In the American West, the Pony Express service began as the first rider departed St. Joseph, Missouri. For \$5 an ounce, letters were delivered 2,000 miles to California within ten days. The famed Pony Express riders each rode from 75 to 100 miles before handing the letters off to the next rider. A total of 190 way stations were located about 15 miles apart. The service lasted less than two years, ending upon the completion of the overland telegraph.– *history place.com*

**April 11, 1970** - Apollo 13 was launched from Cape Kennedy at 2:13 p.m. Fifty-six hours into the flight an oxygen tank exploded in the service module. Astronaut John L. Swigert saw a warning light that accompanied the bang and said, "Houston, we've had a problem here." Swigert, James A. Lovell and Fred W. Haise then transferred into the lunar module, using it as a "lifeboat" and began a perilous return trip to Earth, splashing down safely on April 17th.– *historyplace.com*

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# Catch Us

## Doing Something Great!

If you see or experience exceptional service –  
Please fill out a KUDOS and let us know!

Our Goal is an Exceptional client experience for ALL!

### What is a Kudos?

Whether you are a new client or a long-term client, we would like to give you this opportunity to praise (or give “kudos” to) either an individual staff member or the Wilson Law Group team for any exceptional service you received.

Use the enclosed envelope for sending your Kudos back. (see back page)



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# KUDOS

## You've Been Caught

by a Valued Client!

To: \_\_\_\_\_

From: \_\_\_\_\_

Date: \_\_\_\_\_

**YOU:**

- |  |  |
|--|--|
| <input type="checkbox"/> Were a great listener                   | <input type="checkbox"/> Had a great attitude              |
| <input type="checkbox"/> Explained difficult topics clearly      | <input type="checkbox"/> Always make me (us) feel welcomed |
| <input type="checkbox"/> Kept us on track                        | <input type="checkbox"/> Communicated clearly              |
| <input type="checkbox"/> Answered my phone calls/emails promptly | <input type="checkbox"/> Made me and my family feel valued |
| <input type="checkbox"/> Brought our wishes to life              | <input type="checkbox"/> Were respectful                   |
| <input type="checkbox"/> Solved my problem                       | <input type="checkbox"/> Followed up promptly              |
| <input type="checkbox"/> Helped me out on the spur of the moment | <input type="checkbox"/> Other: _____                      |
| <input type="checkbox"/> Heard me                                | _____  |

**BUT WAIT. . .let me tell you more!**

**Thanks for:** \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_



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