



# NEW YORK PRIVATE TRUST

A DELAWARE TRUST COMPANY

## USE OF TRUSTS TO PROTECT ASSETS

### Types of Trusts

Creating a financial or estate plan always involves issues surrounding the safeguarding of assets so they are available as intended for you or your family. Direct gifts or legacies may not be appropriate in situations where the intended beneficiary is unsophisticated, impaired or in an unstable relationship. Because of your wealth or occupation, you may face threats of significant claims that could destroy your financial security.

Trusts are often used to address issues such as those noted above. The following is a brief summary of various types of trusts that address one or another of these concerns.

### Asset Protection Trusts

These trusts are specifically used to prevent creditors from reaching the assets placed in the trust. Properly structured, such trusts may even survive challenges under the Bankruptcy Code.

### Spendthrift Trusts

These trusts limit the ability of the beneficiary to demand, and all but a few types of creditors to reach, distributions of income or principal. They also limit the beneficiary's ability to transfer any interest, including transfers for the benefit of creditors, in the trust. The trustee is given wide latitude in refusing distributions that might be reached by creditors or might be used unwisely.

### Discretionary Trusts

These trusts permit the trustee to decide whether to make distributions to a particular beneficiary. They may be used to preserve or make unequal distributions from the trust when there are multiple beneficiaries. They are used to preserve benefits from government entitlement programs for beneficiaries who are disabled by restricting the trust's distributions for certain needs otherwise funded by the government program.

### Support Trusts

These trusts provide a beneficiary with income from the trust sufficient to enable the beneficiary to live comfortably. Distributions are usually permitted for living expenses, education expenses, medical expenses and similar needs.

### 401(K) or IRAs

Assets held in a retirement plan account such as an IRA or 401(k) generally are protected from creditors while they remain in the plan.

We welcome the opportunity to work with you and your advisors in exploring ways in which New York Private Trust's team of fiduciary experts can assist you in reaching the right decision for you and your family.