

# Trust and Estate Solutions



**AME**



**Your Bank. For Life.**

# WHAT IS A TRUST?

A trust is simply your instructions for the management of all or part of your property. An attorney who represents you and has expertise in the area of estate planning should create your trust.

## What Can ANBTrust Do for You?

ANBTrust can provide a measure of comfort knowing that you have a plan in place to help provide for the safe and accountable management of family assets and to direct their use in accordance with your wishes, goals and objectives.

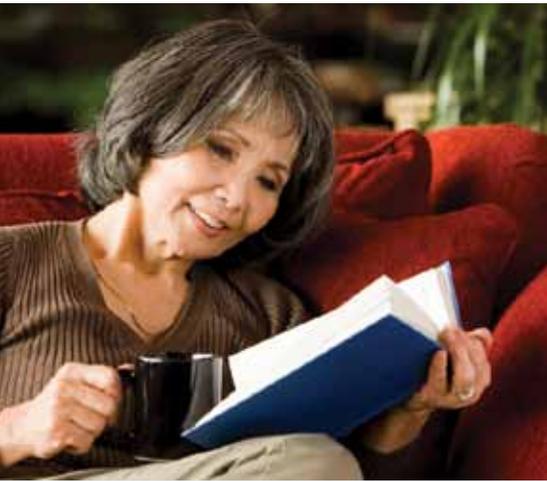
### The trust document describes:

- How you want your assets managed and eventually distributed
- Who you want to benefit from your assets now and in the future
- Who you want to be responsible for carrying out these instructions



## A trust is used to help ensure proper management of your assets throughout the different stages of your life:

- 1** During your active lifetime, placing assets in a trust allows you freedom to continue managing your assets or to devote time to other priorities. A trust created and funded during your life is generally called a “living” or “revocable” trust.
- 2** In the event you are incapacitated, a trust can help ensure that your needs are met and that your finances are kept in good order for your benefit.
- 3** Upon your death, a trust becomes “irrevocable” and your assets are managed and distributed by your trustee in accordance with your instructions throughout the trust’s existence.
- 4** An estate planning attorney may recommend creating an irrevocable trust during your lifetime, in addition to a revocable trust. This may provide creditor protection, controlled giving to family members or estate tax minimization.



# THE BENEFITS OF ANBTRUST

A trust provides protection for family members who may be unaccustomed to dealing with financial matters. It can offer protection of assets in case of divorce or other litigation, as well as assure that funding is available for specific needs, such as education, health care, or charitable interests. It provides a framework for your money to be managed in a predictable fashion, by the people you choose, according to standards you establish. You may also choose to create guidelines for current and future distributions. A trust may also have substantial tax benefits and provide an expedient method to transfer assets.

## Types of Trusts

There are two basic types of trusts. Revocable or Living Trusts are the foundation of many clients' estate plans. An irrevocable trust is used for many specific transfer and tax benefits and to handle assets after you have passed away.

## Revocable or Living Trust

A revocable or living trust is a trust that you can change or cancel during your lifetime. You control a revocable trust and the trust's earnings are consolidated into your income tax returns. You may continue to manage the assets, or your financial advisor will handle management of your assets under your supervision or upon your disability.

A revocable trust can also be used to transfer assets at death, similar to a will, yet without the formal, court-supervised process of probate. In many states, the probate process is slow and expensive and also opens your estate to public scrutiny. Once you pass away, your wishes are final and thus the trust becomes irrevocable.

## Irrevocable Trust

An irrevocable trust is a trust that cannot be changed or cancelled at any time. This trust is a separate legal entity and has its own taxpayer ID number. The terms of many irrevocable trusts, however, allow tremendous flexibility. While many irrevocable trusts come into being at death, irrevocable trusts set up before death are often used to hold life insurance policies, gifts or assets to be made available to beneficiaries at a future time, or funds for future charitable contributions. To achieve beneficial tax results, many irrevocable trusts are written to follow patterns based on the rules in the Internal Revenue Code. The structure most suited to your needs can best be determined with the help of financial, legal and tax advisors who specialize in these fields.

## ANBTRUST CAN HELP...

- Provide an orderly means of administering your personal and financial affairs should you become incapacitated, or upon death.
- Ensure that your assets are managed for the benefit of your heirs, according to your wishes.
- Provide for a relative or disabled child after your death.
- Protect assets from a creditor's claims.
- Assemble a tax-advantaged charitable gift.

# A VARIETY OF TRUSTS OFFER FLEXIBILITY TO MEET YOUR NEEDS

Different kinds of trusts are designed to meet different objectives. Whether your goal is to ensure privacy in the settlement of your estate, centralize control of assets, or take full advantage of estate tax credits provided by the IRS, there are many different types of trusts available for you to choose.

## Living Trust

A Living or Revocable Trust allows you to remain both the trustee and the beneficiary of the trust while you're alive. You maintain control of the assets and receive all income and benefits. Upon your death, a designated successor trustee manages and/or distributes the remaining assets according to the terms set in the trust, avoiding the probate process. In addition, should you become incapacitated during the term of the trust, your successor or co-trustee can take over its management.

## Special Needs Trust

A Special Needs Trust is typically designed to benefit a disabled individual. Instead of giving assets to the beneficiary directly, assets are transferred to a Special Needs Trust by family members or as damages are paid because of a lawsuit, and those assets are available for the beneficiary without disqualifying him or her from government programs, such as Social Security Income and Medicaid. A Special Needs Trust provides for supplemental care, which consists of items over and above necessities like housing, food and clothing, and benefits the government provides.

## Survivor's Trust

A Survivor's Trust is a trust created by an individual during life, and becomes irrevocable (cannot be changed) after his or her death, to provide for a surviving spouse, domestic partner, or other loved one(s). "Survivor's Trust" is a general term for a variety of common trusts, including trusts referred to as an: A Trust, Martial Trust, B Trust, Family Trust, Bypass Trust, or Credit Shelter Trust, among others. No matter what the type of trust, tax provisions or family situation, individuals naming ANBTrust to serve as trustee of their Survivor's Trust can take comfort in knowing it will administer their Survivor's Trust for the benefit of loved ones competently, according to their wishes, and in the best interest of the significant others they leave behind.

## Charitable Lead Trust

To help benefit your favorite charity while serving your own trust needs, you might consider a Charitable Lead Trust (CLT). This trust lets you pay a charity income from a particular asset for a designated amount of time, after which the principal goes to the beneficiaries, who can receive the property free of estate taxes. However, keep in mind that you may need to pay gift taxes on a portion of the value of the assets you transfer to the trust.

## Charitable Remainder Trust

Another charitable option, the Charitable Remainder Trust (CRT), allows you to receive income and a tax deduction at the same time, and ultimately leave assets to a charity. Through this trust, the trustee will sell the donated property or assets, tax-free, and establish an annuity payable to you, your spouse, or your heirs for a designated period of time. Upon completion of that time period, the remaining assets go directly to the charity. Highly appreciated assets are typically the funding vehicles of choice for a CRT.

## Generation-Skipping Trust

If you want to leave money to your grandchildren, you might consider a Generation-Skipping Trust. This trust can help preserve your generation-skipping transfer tax exemption on bequests to your grandchildren and avoid the tax on bequests exceeding that amount, which could exceed 40%.

## Irrevocable Life Insurance Trust

An Irrevocable Life Insurance Trust (ILIT) is often used as an estate tax funding mechanism. Under this trust, you make gifts to an irrevocable trust, which in turn uses those gifts to purchase an insurance policy on your life. Upon your death, the policy's death benefit proceeds are payable to the trust, which in turn provides tax-free cash to help beneficiaries meet estate tax obligations.



# ANBTRUST – THE CEO FOR YOUR ESTATE

The trustee's role is to administer and distribute the assets in the trust according to your wishes, as expressed in the trust document. There are three primary elements to the trustee's role:

## **Custody**

The custodial role is that of a financial secretary and security guard. The trustee must identify and then take title to the trust's assets, keep accurate records, report to the current beneficiaries, execute and settle all transactions, protect and insure the property and defend the trust against claimants. The trustee oversees the preparation of appropriate tax returns and all the trust accounting in compliance with complex state and federal laws.

## **Asset Management**

The trustee is ultimately responsible for the preservation and investment of assets in the trust, ensuring that invested assets are productive and managed appropriately given the trust's objectives. The trustee has the legal responsibility to reassess the objectives of the trust and current market conditions at least annually and to be sure that the investments match those objectives. Trustees will often hire professional managers to handle the day-to-day specialized activities such as real estate management.

## **Administration**

The administrative role is central to carrying out your wishes regarding the use of assets in the trust. The trustee carries out your directions and follows your guidelines in handling the specific circumstances of each request for funds from trust beneficiaries. This involves legal interpretation of the language in the document and appropriate input from family members. Experienced and unbiased trust administration and record keeping are vital components to implementing your plan.

### **All trusts, revocable and irrevocable, have three parties involved:**

- 1** The person who created the trust
- 2** The person or firm that manages the trust
- 3** The people or charities that benefit from the trust

*ANBTrust carefully manages your assets and considers who will benefit from the trust – now and in the future.*





**ANBTrust offers administrative services for the following types of accounts:**

- Revocable or Living Trusts
- Irrevocable Trusts
- Charitable Remainder Trusts
- Charitable Lead Trusts
- Special Needs Trusts
- Testamentary Trust
- Investment Management Accounts
- Custodial/Self Directed Accounts
- Private Foundations
- Guardianships
- Family Limited Partnerships

## WHY USE AN ANB PROFESSIONAL TRUSTEE?

Trustees may have to make tough decisions that might not be popular with all your beneficiaries. After all, the trustee is carrying out your instructions, not your beneficiaries' wishes. This can be a difficult role for a family member, who may or may not be unbiased, or may wish to act in a manner that avoids hard feelings within the family, rather than carrying out your instructions. Also, few family members have investment management skills or expertise in fiduciary law and practice. Family members can be given important advisory roles, in approving disbursements, for example, or other exercises of discretion.



**The Benefits of Naming an ANB Professional Trustee Include:**

- Unbiased loyalty and independence to carry out your wishes
- Knowledgeable management, protection and defense of trust assets
- Experienced oversight of the investment process
- Timely and accurate statements to keep you and all current beneficiaries informed
- Consistent timely reviews
- Accountable collection and prudent distribution of income and assets
- Tax reporting, filing and comprehensive regulatory compliance on behalf of the trust



### Advantages of Choosing ANBTrust

- Experienced and knowledgeable trust officers with backgrounds in law, accounting, banking, investment management, tax and business.
- Sophisticated, seasoned professionals with objective family sensitivities.
- Is Nationally chartered; devoted to trust and fiduciary services.
- Regulated and examined by the Comptroller of the Currency and audited by independent auditors.
- Works with your financial advisor as a team player, providing timely and accurate statements to you and your other advisors.
- Helps you develop a written investment policy statement to provide a clear understanding of your goals, objectives and guidelines for the trust.
- Accounts are regularly reviewed and investment policies are revised as appropriate to reflect changes to the portfolio, client circumstances and markets.
- A Division of The American National Bank of Texas.

### How Do I Get Started?

- First, discuss your goals with a trusted advisor, who can help determine whether a trust may be right for you.
- Have the trust document drafted by your attorney, incorporating sample language ANBTrust provides to ensure flexibility in using your choice of financial and family advisors to the trustee.
- Name ANBTrust as Trustee or Successor to the Trustee.
- Enjoy the comfort of knowing that your wishes will be carried out.

*For more than 80 years ANBTrust has been dedicated to the Administration of Trusts, Estates, and Family Wealth Management.*



# COMPARING TRUSTEE CHOICES

Your choices of trustee or successor trustee may include a family member or friend, professional advisor such as an attorney or CPA, or a corporate trustee. Each choice offers specific advantages and disadvantages. It may be helpful for you to consider these choices in the context of the duties of the trustee and the desired qualities outlined below.

	TRUSTEE CHOICE	CONSIDERATIONS		
<b>DUTIES</b> Trustee must either perform or contract for services required by the trust.	Family Member	Contracts for legal, accounting, investment and other services		
	Professional Advisor (Attorney or CPA)	Administers own area of discipline; contracts for other services		
	<b>ANBTrust</b>	Most services bundled in "turn-key" package; contracts others		
<b>ABILITY &amp; READINESS TO SERVE</b> Potential trustees cannot foresee personal situations. A trustee's duties may extend for many years and span generations.	Family Member	Risk of personal conflicts or preceding you in death		
	Professional Advisor (Attorney or CPA)	Risk of personal conflicts, retirement or preceding you in death		
	<b>ANBTrust</b>	Established specifically to provide continuous service; potential for some organizational risk		
<b>COMPETENCE</b> Varies in manner similar to duties.	Family Member	Not usually their area of expertise		
	Professional Advisor (Attorney or CPA)	May not be an area of expertise		
	<b>ANBTrust</b>	Core business function; professionally trained		
<b>EXPERIENCE</b> May span a wide range based on specific trustee.	Family Member	Varies by individual background		
	Professional Advisor (Attorney or CPA)	Likely to have significant experience in own area of discipline; administrative skill less certain		
	<b>ANBTrust</b>	Provides professional staff that possesses trust experience and skills		
<b>OBJECTIVITY/ FREE OF CONFLICTS</b> Trustee's interests may conflict with beneficiaries.	Family Member	May have specific conflicts if also named as a beneficiary, a common source of discord among siblings		
	Professional Advisor (Attorney or CPA)	As administrator, may make decisions involving payments for own professional services and have other family roles		
	<b>ANBTrust</b>	Unbiased interpretation of trust document and administration		
<b>OTHER TRUST CONSIDERATIONS</b> Other considerations such as the type of trust you set up, the purpose of the trust and the size and assets included in the trust should be taken into account when choosing between an individual, professional or corporate trustee.		<b>Family Member</b> <b>Professional Advisor</b> <b>ANBTrust</b>		
	The Trust will pay out immediately upon the grantor's death	✓	✓	✓
	The Trust will continue for a number of years			✓
	The grantor needs an unbiased trustee during incapacity		✓	✓
	Trust is a charitable trust or foundation		✓	✓
	Trust is under \$200,000	✓	✓	
	Trust is between \$200,000 and \$500,000		✓	✓
Trust is over \$500,000			✓	



# CHOOSING AN EXECUTOR

Before choosing someone to serve as your executor or personal representative, give serious consideration to how well he or she will be able to handle these duties and responsibilities.

Many people choose a family member or friend of their own age. When the time comes to act, the executor may not be up to the task due to age or for health reasons. Sometimes, the named executor may have predeceased the individual.

## **An Executor generally:**

- Collects and provides safekeeping for the estate's assets
- Notifies creditors and pays all valid debts
- Collects any sums owed the estate
- Files claims for retirement plan benefits, Social Security benefits, and Veteran's benefits
- Manages the estate's assets
- Sells assets, as directed by will or required by state law, to pay estate expenses or legacies
- Keeps detailed records of all estate transactions and submits records to beneficiaries and/or the probate court
- Distributes assets to beneficiaries
- Files the decedent's final federal income-tax return
- Chooses a tax year for the estate
- Files the estate's income-tax returns
- Files state death-tax returns
- Completes and files the federal estate-tax return

*ANBTrust understands the sensitive issues that may arise with settling an estate, and can help make the process as easy as possible.*



## **ANBTrust as the Corporate Executor.**

Selecting ANBTrust as the Corporate Executor is a choice increasingly being made by people who want to make settling their estates as worry-free as possible.

In addition, one should consider the impact on the individual who is named as executor. Family dynamics may be negatively impacted if only one child in the family is appointed as executor. If siblings are acting as co-executors, disagreements that arise during the estate administration process can change the relationship forever. Long-standing family issues may come to the forefront after the death of a parent. Additional relationships from blended or multiple families may add complexity to the estate administration.

# HOW A CORPORATE EXECUTOR ADDS VALUE

## What does it mean to be an Executor?

One of the most important financial planning decisions you will ever make is choosing an executor. If asked by a family member or friend to serve as their executor, most of us would consider it an honor. However, many of us do not understand the full scope of an executor's obligations as most executors are doing this for their first and only time. In a word, it can be overwhelming.



The executor for your estate will have extensive responsibilities. There are assets to trace and protect, debts to pay, tax returns to file and much more. If your executor is a family member or a close friend, all of this responsibility comes at a time when he or she may be under significant emotional strain.

The myriad of duties is diverse and complex. A will is a legally binding expression of a person's wishes for the distribution of their property; the executor is responsible for carrying out those wishes. As executor, you control the estate's administration and are legally accountable to the beneficiaries. You must become familiar with the deceased's financial situation, working closely with family members, beneficiaries and business partners if applicable.

Even for small, relatively straightforward estates, there will be weeks spent gathering information, filling in forms, advertising for creditors, finding assets, arranging for appraisals, ensuring assets are protected and making decisions on the sale of investments, businesses, property and possessions.

## Benefits of selecting ANBTrust as your Corporate Executor

- 1 Full Attention to Your Estate Needs** – Personal interests, emotion, ill health and age cannot interfere with the smooth operation of your estate.
- 2 Continuity** – The appointment of a corporate executor ensures continuity of service during the full period of estate administration.
- 3 Accessibility** – Your estate is the personal responsibility of an individual who, with a support team, is accessible and ready to assist your beneficiaries.
- 4 Impartiality** – A corporate executor combines business ability with their capacity for human understanding. This ensures fair and tactful treatment of each beneficiary.
- 5 Confidential Nature of Estate Business** – Corporate executors are trained to treat the business of our clients in the strictest confidence.
- 6 Experience** – Corporate executors have gained the broad experience needed to administer estates efficiently and economically.
- 7 Knowledge and Specialization** – Because of increasingly complex tax and other laws, and expanding investment horizons, ANBTrust maintains a staff of specialists in investments, tax, insurance and other areas affecting estate administration.
- 8 Group Judgment** – Major decisions regarding your estate investments or other vital matters are reviewed and decided by drawing upon the expertise of the entire senior staff group.

## In Conclusion

You may think that a trust company will act only where there is great wealth. This is not the case, and for most of us the value of our property – home, investments, retirement plans, vacation properties – is often greater than we may think.

# GLOSSARY OF TERMS

**Administration:** The management of a decedent's trust or estate including the payment of expenses, debts and obligations, and the general settling of the trust or estate. Also known as an estate or trust settlement.

**Administrator:** An individual or entity, such as a trust department, appointed by a court to settle the estate of a person who has died without leaving a valid will.

**Beneficiary:** Person or entity entitled to receive benefits from a will, insurance policy, trust agreement or employee benefit plan.

**Charitable Remainder Trust:** An irrevocable trust with both income and remainder interest. Income is paid to designated beneficiaries for a term or lifetime. The remainder interest is paid to a qualified organization as specified in the trust document when the trust terminates.

**Corporate Trustee:** A trust institution serving as trustee.

**Durable Power of Attorney:** A power of attorney that will come into effect and remain in effect and valid if the person who grants the power becomes incapacitated.

**Estate:** The real and personal property of a decedent; a specific interest in property.

**Executor:** A person or entity named in a will to carry out the provisions of that legal document.

**Fiduciary:** An individual or entity in a position of trust that has accepted the duty of acting for the benefit of another.

**Grantor/Settlor:** A person who transfers property, the creator of a trust.

**Irrevocable Life Insurance Trust:** Typically used to shelter an insurance death benefit from estate taxes and may provide liquidity to pay estate taxes and settlement costs. A trust is created, then the trust purchases and owns a life insurance policy. Upon death, the insurance proceeds are paid out in accordance with the terms of the trust.

**Irrevocable Trust:** A trust that, by its terms, cannot be revoked or changed by the grantor.

**Living Trust:** A revocable trust that is operative during the lifetime of the grantor; as opposed to a trust under will or a testamentary trust.

**Power of Attorney:** A legal document appointing someone to act as one's agent with legal authority to sign your name, on your behalf, in your absence. Power of Attorney ends at incapacity (unless it is a durable power of attorney) or death.

**Probate:** The legal process wherein the estate of a decedent is administered, which includes the process of proving validity of a will in court and executing its provisions under the guidance of the court. Assets in trust avoid probate.

**Remainderman:** The person(s) who are entitled to an estate after the primary beneficiaries are deceased.

**Revocable Trust:** A Trust that by its terms may be changed or terminated by the settlor.

**Successor Trustee:** Person or institution named in the trust document to take over should the first trustee die, resign or otherwise become unable to act.

**Testamentary Trust:** A trust created at death under a will. This trust is not effective during the life of the grantor and is funded by the executor at death.

**Trust:** An entity that holds assets for the benefit of certain other persons or entities.

**Trustee:** Person or institution who manages and distributes another's assets according to the instructions in the trust document.

**Will:** A written document with instructions for the distribution of an individual's assets after death.

ANBTrust does not provide tax or legal advice. Please consult your tax or legal advisor.



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### **A rich history based on Trust.**

American National Bank of Texas has served the people and businesses of North Texas since 1875. We're not just another bank. We are seasoned banking professionals who build lifelong partnerships with our customers.

Because we live and work in the communities we serve, we understand the specific challenges, goals and needs of our neighbors like no other bank. We listen to our customers and empower them with solutions, finding the right combination of products and services. Our history and commitment to purpose and dedication have made us the solid, dependable establishment that you can rely on, now and in the future.

### **ANB as Executor, Trustee or Investment Manager**

Since 1926, American National Bank has provided Trust and Investment services to the people of North Texas. We are experts. The administration of our relationships involves prudent holding, managing and distributing of assets according to the intent of the settlor, with considerations for the beneficiaries who are involved in decisions we make.

We account for every act. ANBTrust, in addition to answering to the Trust Committee and the Bank's Board of Directors, is reviewed by internal auditors, external auditors and the Office of the Comptroller of the Currency (aka Bank Examiners).

The only way to get to know a Trust Department is to get to know the individuals who provide the services – and our customers enjoy the personal relationships and attention that ANBTrust provides. Experienced and caring professionals – this is just one of the benefits of choosing ANBTrust.

**To discuss your personal estate or investment needs, call us today at 800.837.6584 or visit us at [anbt.com/Wealth-Management](http://anbt.com/Wealth-Management).**

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