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Complex Estate Planning Strategies for High Net Worth Clients

A review of planning options for clients with exemptions available and without, with an illustrative case study.

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With the current high gift, estate, and generation-skipping transfer tax exemptions (which are scheduled to be reduced by half on January 1, 2026),[1] many high-net worth clients are beginning to use more complex estate planning techniques to utilize these high exemptions while also protecting their assets from creditors. This is not surprising given that clients still want to reduce estate and generation-skipping transfer taxes to the maximum extent possible, but many clients are reluctant to transfer such a significant portion of their assets. Additionally, many high net worth families have already utilized their entire exemption amounts, but are still looking for ways to reduce their overall potential tax burden. Finally, as political instability has precipitated in recent years, these families are also becoming increasingly concerned with asset protection.

Meeting these diverse goals requires the estate planner to utilize a combination of traditional estate planning and asset protection planning techniques, as well as more complex techniques that have only recently gained more widespread acceptance within the estate planning community. This article provides a broad overview of some of the techniques that can be used to attain these goals and also provides a brief case study to efficiently demonstrate how these techniques can be implemented for a family. It first provides a brief introduction to some important trust concepts that are central to these complex strategies. Next, it discusses complex trust strategies that families with unused gift and estate tax exemption can utilize to meet the above-described goals. This is followed by a section outlining techniques that families can use to further reduce their overall potential tax burden or increase creditor protection without using any significant amounts of an individual's gift and estate tax exemption. This article concludes with a case study demonstrating the practical application of such strategies.

Background on Self-Settled Irrevocable Trusts and Third Party Irrevocable Trusts

Self-Settled Asset Protection Trusts. An irrevocable trust, in general, often shields assets from the creditors of the trust's non-settlor beneficiaries. Specifically, a "spendthrift trust" can be created to provide for a beneficiary while also protecting the trust against the beneficiary's poor financial decisions and creditors. It is, in a real sense, a trust set up to protect a beneficiary from spending all of the money to which he or she is entitled.[2] A spendthrift provision is simply a provision in a trust document that expressly prohibits beneficiaries from transferring, encumbering, or pledging their respective beneficial interests in the trust. It usually also expressly prohibits any creditor of a beneficiary from attaching, levying against, or seeking a forced

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sale of the beneficiaries' respective beneficial interests.[3]

When a settlor establishes a spendthrift trust *for the benefit of himself or herself*, even if there are other beneficiaries, the trust is categorized as a "self-settled spendthrift trust." These trusts are commonly formed for asset protection purposes (asset protection trusts or APTs). The weight of authority is that self-settled spendthrift trusts are indeed valid trusts; however, depending on the applicable law, they may or may not afford protection against the settlor's creditors. Even if applicable law recognizes self-settled spendthrift trusts, transfers to the trust can still be reached by creditors if the transfer is considered a "fraudulent" or "voidable" transfer.[4] If the trust does not afford protection against the settlor's creditors, this would apply to the settlor's present or subsequent creditors as well as to potential future creditors, and for as long as the trust may be in existence. Thus, if applicable law does not respect self-settled spendthrift trusts or if the transfer to the trust was a fraudulent transfer, the "door to trust assets" remains open to creditors, meaning that a judgment creditor would be able to access trust assets.

Another typical characteristic of an APT is that they are usually "incomplete gift" trusts. A gift is not "complete" until the transferor (typically the settlor) relinquishes sufficient dominion and control over the transferred property,[5] which means that the transferor has not retained any power to alter beneficial interests.[6] Thus, in the typical self-settled APT, the settlor retains the power to alter the beneficial interests through a combination of being able to add beneficiaries and holding certain powers of appointment. In recent years, however, high net worth families have begun utilizing completed gift self-settled APTs, which are discussed in more detail below.

As of this writing, approximately 25 offshore jurisdictions and 20 domestic states[7] statutorily recognize the validity of the self-settled spendthrift trust.

Third Party Trusts. A "third party trust" (TPT) is a spendthrift trust created by a settlor for the benefit of an individual other than the settlor. It typically involves a parent settling a trust for one of his or her children, who is designated in the trust agreement as the "primary beneficiary." The parent then advances a significant portion of that child's inheritance by transferring assets to the TPT.

A TPT can have one trustee, but to maximize the benefit of a TPT, it is becoming more common for TPTs to have multiple trustees. If multiple trustees are used, it is typical for there to be an "independent trustee" and a "family trustee." The independent trustee holds the powers that relate to the asset protection nature of the TPT, such as the ability to make loans or withhold/make distributions to the primary beneficiary. The primary beneficiary or a trusted family member can serve as the family trustee, who should not hold distribution powers to prevent creditors from obtaining a court order forcing the family trustee to make distributions to the primary beneficiary to satisfy any debt owed by the primary beneficiary.

A common example of a TPT is the intentionally defective irrevocable trust (IDIT). An IDIT is an irrevocable trust that is created for future generations and is usually structured as a "grantor trust" for income tax purposes, meaning the settlor is responsible for paying all income taxes attributed to the trust.[8] By paying the income tax, the settlor is in effect making additional gift-tax free transfers to the IDIT, which further reduces the settlor's taxable estate, while at the same time increasing the IDIT's value as it grows free of any tax burden.

Many, if not most, clients prefer to utilize straightforward completed gift trusts, such as standard dynasty trusts, or even outright gifts in order to utilize their remaining exemption. However, there are techniques becoming popular with clients who currently have some estate tax liability exposure but are not comfortable gifting a significant portion of their worth.

There are two common methods to create an IDIT. The first is to include the power to substitute assets of equivalent value. If the settlor or another person has the power in a non-fidu-

1 Pursuant to Rev. Proc. 2022-38, during 2023, the lifetime exemption amount is $12,920,000 per individual, meaning that a married couple can protect $25,840,000 of their combined net worth without being liable for the federal estate tax. These amounts, as indexed for inflation on an annual basis, are presently scheduled (without any intervening Congressional action) to revert back to $5,000,000 per individual (and $10,000,000 per married couple) effective as of December 31, 2025, which were the levels in place prior to the enactment of the Tax Cuts and Jobs Act of 2017 (Pub. L. 115-97).

2 *Black's Law Dictionary* 1400 (6th ed. 1990).

3 *In re Estate of Sowers*, 574 P.2d 224, 228 (Kan. App. 1977).

4 See either the applicable version of the Uniform Fraudulent Transfer Act or Uniform Voidable Transaction Act that has been enacted in 44 out of 50 states (with Alaska, Louisiana, Maryland, Massachusetts, South Carolina, and Virginia being the remaining states not yet to enact such legislation).

5 See Treas. Reg. 25.2511-2(b); see also PLR 8551040 (a corporation's transfer to trust is not a completed gift because it retained the right to designate charitable recipients).

6 Treas. Reg. 25.2511-2(c).

7 See Thirteenth ACTEC Comparison of the Domestic Asset Protection Trust Statutes (August 2022).

8 By referring to a "grantor trust," the authors refer to a trust in which the contributor of assets (by gift) to the trust retains certain rights or powers over the trust, resulting in the trust's income or capital gains being taxable directly to such contributor under I.R.C. Sections 671-677.

ciary capacity to "reacquire" trust property by substituting property of equivalent value, the trust will be classified as a grantor trust for tax purposes and all income of the trust will be taxable to the settlor.[9] A second method is to include the power to lend to the settlor without adequate interest or security. If either the settlor or a non-adverse party (or both) has a *specific* power to make a loan to the settlor without adequate interest or without adequate security, the settlor will be treated as the owner of the entire trust.[10]

Advanced Techniques for Clients that Have Not Used Their Full Exemption

This section focuses on complex estate planning techniques that clients have utilized during the last few years due to the current high exemption levels. To be clear, many, if not most, clients prefer to utilize straightforward completed gift trusts, such as standard dynasty trusts, or even outright gifts in order to utilize their remaining exemption. However, the techniques described below are becoming popular with clients who currently have some estate tax liability exposure (or will have estate tax liability exposure if the exemption reverts to prior levels on January 1, 2026) but are not comfortable gifting such a significant sum at this time.

Spousal Lifetime Access Trust. A spousal lifetime access trust (SLAT) is an irrevocable trust created by one spouse for the other spouse's benefit. The goal of a SLAT is for the donor spouse (the settlor of the SLAT) to use a portion (or all of) the donor spouse's gift and estate tax exemption, thereby removing the assets from the donor spouse's estate while the beneficiary spouse still has access to such assets during the beneficiary spouse's lifetime. After the beneficiary spouse dies, the trust is typically held for the benefit of future generations.

If both spouses intend to create SLATs for each other, extreme care must be taken to ensure the trusts do not fall victim to the "reciprocal trust doctrine," as such doctrine will undo the benefits of the trusts.[11] This is typically achieved by ensuring the two trusts are materially different in at least some respects.

However, some states allow the settlor spouse (Settlor) to benefit from SLAT assets after the beneficiary spouse's (Spouse) death. Assume that a SLAT is formed in a jurisdiction that does not currently permit self-settled APTs, such as Arizona. Further assume that the trust agreement provides Spouse with a testamentary limited power of appointment,[12] in which Spouse has the power to appoint the assets to a different trust for Settlor's benefit upon Spouse's death. When the trust is created and funded, Spouse receives asset protection from creditor claims due to the spendthrift clause. Logically speaking, one would assume that upon Spouse's death, the remaining assets appointed to a trust for Settlor's benefit could arguably be categorized as a self-settled spendthrift trust because Settlor was the one who initially contributed such assets to the trust. Moreover, because Arizona does not presently recognize self-settled APTs, the trust would then be categorized as void against public policy, and therefore, all remaining assets could be reached by Settlor's creditors. However, Arizona Statutes section 14-10505(E)(5) reaches the exact opposite conclusion, allowing Settlor to circuitously benefit from a *de facto* self-settled APT if the Spouse predeceases the Settlor. In Arizona, providing Spouse with a testamentary limited power of appointment in favor of Settlor does not result in a self-settled spendthrift trust upon Spouse's death. In addition to Arizona, several other states[13] have similar statutes.[14]

Trusts that are created in a state (i) that has not enacted self-settled spendthrift legislation; and (ii) does not provide a similar law to the Arizona law described above should strongly consider changing the applicable law to one of these states for potential added asset protection.

Self-Settled Completed Gift Trusts. Self-settled completed gift trusts have recently become more popular amongst clients who wish to use their full estate and gift tax exemption at this time but are not comfortable gifting such a large portion of their assets. These trusts must be formed in a jurisdiction that permits self-settled spendthrift trusts[15] and must be carefully drafted to ensure that the settlor does not retain any power that could be exercised in a manner that would cause the trust assets to be pulled into the settlor's estate under Sections 2036 to 2042. The trust also needs to be administered carefully to ensure that there is no implied agreement or arrangement between the trustee and the settlor that would cause the assets to be pulled back into the settlor's estate.

Due to these risks, a self-settled completed gift trust is not appropriate for every client, especially given many of the other alternatives discussed in this article. However, for the right client, this type of trust can enable such client to take full advantage of the current high exemption amounts while also addressing their concerns about gifting such a significant sum.

Advanced Techniques for Clients that Have Already Utilized Their Exemption

Before taking advantage of any of these advanced techniques, it is important that clients are already availing themselves of simple techniques, such as making annual exclusion gifts and utilizing the annual adjustment to the estate, gift, and generation-skipping transfer tax exemptions.[16] For many families, these simple techniques may be sufficient to significantly reduce, or even eliminate, any estate tax exposure.

Grantor Retained Annuity Trusts (GRATs). GRATs are a good tool to remove future asset appreciation from an individual's estate. To create a GRAT, the settlor will transfer assets to a trust and retain an annual annuity that will be paid to the settlor over the term of the GRAT, with all remaining assets held in the GRAT after the final annuity payment transferred to the remainder beneficiaries, oftentimes the settlor's children or trusts for such children's benefit. Due to the way the annuity is calculated, this results in a gift amount of near zero dollars (typically gifts to GRATs range from $0 to $1,500 depending on various factors). Accordingly, even if the settlor has utilized his or her entire exemption, any gift tax due will be minimal and the annual adjustment to the exemption will more than shield most transfers to GRATs.

The total amount of a GRAT's annuity payments will be equal to an amount slightly above the value of the assets transferred to the GRAT (the actual annuity calculation will vary based on current interest rates). All asset appreciation above the annuity amount will be transferred to the remainder beneficiaries and removed from the settlor's taxable estate. Thus, for example, if the settlor transferred $1,000,000 to a GRAT with total annuity payments equal to $1,050,000 and the assets at the end of the annuity period equal $1,200,000, the settlor has removed $150,000 from his or her taxable estate while using little to no estate and gift tax exemption.

GRATs do have some drawbacks, however. If the settlor does not live through the entire annuity term, the entire GRAT could be included in his or her taxable estate.[17] Additionally, if the assets the settlor transfers do not appreciate above the annuity payment, or decrease in value, no value is moved to the remainder beneficiaries. The best assets to transfer to GRATs are assets that have significant growth potential, such as investments in start-up companies. However, with the right assets, GRATs have the potential to remove significant value from a settlor's estate and are great tools for families and individuals that have already utilized their entire exemption (though anyone with appropriate assets can benefit from GRATs).

Asset protection plans tend to be highly individualized based on a client's risk profile, comfort level with complex trust and entity structures, comfort with foregoing control over family assets, and state of residence.

Charitable Planning. Charitable planning can also significantly reduce any estate taxes that may be owed on an individual donor's (Donor) death, and can have the added benefit of also reducing income taxes during life. Charitable planning can be accomplished in many ways, including through charitable trusts, making charitable contributions during life, making charitable contributions upon death, etc. The appropriate structure for charitable planning will depend on the Donor's charitable goals, the Donor's needs during his or her lifetime, and the overall benefit the Donor will receive from income tax deductions during life.

Lifetime charitable contributions can have numerous tax benefits. A lifetime charitable contribution will provide an immediate income tax charitable deduction that can reduce income taxes in any given year. Moreover, any assets gifted to charities during the Donor's life are also

9 See I.R.C. Section 675(4)(C).

10 See I.R.C. Section 675(2).

11 The "reciprocal trust doctrine" provides that when two trusts are settled, and the settlor of each trust is named as the beneficiary of the other trust, and the creation of such trusts results in the settlors remaining in essentially the same economic position as if they had made themselves lifetime beneficiaries of the trusts they had created, then each settlor may be deemed to be the settlor of the trust created by the other individual. See *United States v. Estate of Grace*, 395 U.S. 316 (1969).

12 A "testamentary limited power of appointment" is created in a trust when the settlor provides a beneficiary with the power to direct where beneficial interests are to be transferred upon the initial beneficiary's death (whether via such beneficiary's Last Will and Testament or a separate written document). Such power is not exercisable during the beneficiary's lifetime.

13 See Arkansas (AR. Code section 28-73-505(c)(1)); Florida (FL. Stat. section 736.0505(3)); Georgia (O.C.G.A. section 53-12-82), Mississippi (Miss. Code section 91-8-504(d)); North Carolina (N.C.G.S. section 36C-5-505(c)(2); Oregon (OR. Rev. Stat. section 130.315); South Carolina (S.C. Code section 62-7-505), Tennessee (Tenn. Code Ann. section 35-15-103 (the comments provide that "a person who becomes a beneficiary of a trust due to the exercise of a power of appointment by someone other than such person is not considered under the Tennessee Uniform Trust Code to be a settlor of a trust. This is true even if the person who so became the beneficiary created and funded the trust and granted the power of appointment to another.")); Texas (Tex. Prop. Code Ann. section 112.035(g)); Virginia (Va. Code section 64-2-747); and Wisconsin (Wisc. Stat. section 701.0505(2)(e)).

14 For example, Florida's statute (FL. Stat. section 736.0505(3)), subject to certain exceptions, provides that the creditors of the SLAT's settlor cannot reach the trust assets if: (i) the Settlor cannot be a beneficiary of the SLAT until after the Spouse's death; (ii) the Spouse must remain a beneficiary for his or her entire lifetime; and (iii) transfers to the SLAT by the Settlor must be classified as "completed gifts" for income tax purposes. If these three requirements are satisfied, the SLAT is treated as if Settlor did not make any contributions, and Settlor's creditors cannot reach into the SLAT after Spouse's death.

15 If a Settlor's creditors can reach the assets of a trust, the transfer is an incomplete gift because the settlor has not sufficiently parted with dominion and control over the transferred assets. See Treas. Reg. 25.2511-2. As of this writing, the 20 states that currently recognize self-settled trusts include Alabama, Alaska, Connecticut, Delaware, Hawaii, Indiana, Michigan, Mississippi, Missouri, Nevada, New Hampshire, Ohio, Oklahoma, Rhode Island, South Dakota, Tennessee, Utah, Virginia, West Virginia, and Wyoming.

16 For example, the annual exclusion amount increased from $16,000 during 2022 to $17,000 during 2023. Additionally, the lifetime exemption amount increased from $12,060,000 during 2022 to $12,920,000 during 2023.

17 See Treas. Reg. section 20.2036-1(c)(2)(i).

removed from the Donor's taxable estate without any gift tax implications because charitable contributions are typically exempt from gift taxes. Thus, lifetime charitable contributions allow a Donor to reduce his or her current income taxes while also reducing potential estate taxes at death. Conversely, charitable contributions made upon death will only reduce estate taxes that may be owed and will not provide the Donor with any income tax benefit.

In addition to the tax benefits described above, charitable contributions allow the Donor to control who receives the assets and how such assets are ultimately used. Any estate taxes that are paid to the federal government will be used as the federal government determines, regardless of whether the Donor approves. Thus, charitable planning, even without taking into account its tax benefits, can be used to control how a Donor's assets are used and ensure that causes important to them are being benefitted.

Business Opportunity Trusts (Section 678 Trusts). A business opportunity trust (BOT) is a third party trust designed so that the beneficiary can transfer assets to the BOT without incurring any income taxes (such as capital gains). Typically, a settlor will create a trust for a beneficiary providing that beneficiary with powers that cause the trust be a grantor trust as to the beneficiary under Section 678, while also ensuring that the settlor does not retain any powers that could cause the trust to be taxable to the settlor under Sections 671 to 677. The transfer of assets to a BOT can be achieved by the beneficiary selling the assets to the BOT, which will not incur any income taxes because the trust is a grantor trust as to the beneficiary. In effect, the IRS treats such a sale as one by the beneficiary to herself. The beneficiary can use this technique to remove certain assets that are expected to appreciate significantly in the future without utilizing any of their gift and estate tax exemption because the beneficiary is not the settlor of the trust. However, in states that have domestic asset protection trust statutes, this structure could result in a lower level of asset protection for the beneficiary. Thus, while a trust of this nature may not offer the same level of asset protection as other structures described in this article, its ability to reduce overall estate taxes may more than offset this potential drawback.

Asset Protection Planning. As the goal of estate planning is not simply tax reduction, but to ensure that a client's assets ultimately pass according to their wishes, asset protection should be a key component of any high net worth family's overall estate plan. Self-settled spendthrift trusts are an important asset protection tool and are described in more detail earlier in this article. These trusts can be either domestic or foreign and historically have been designed as incomplete gift trusts. However, asset protection trusts are merely one component of asset protection planning. Clients should also ensure that they are taking advantage of any creditor protection laws available in their state of residence, such as the Florida homestead exemption if the client is a Florida resident.[18] Additionally, clients can utilize entity structures, such as holding appropriate assets through limited liability companies, to provide additional layers of protection.

Asset protection plans tend to be highly individualized based on a client's risk profile, comfort level with complex trust and entity structures, comfort with foregoing control over family assets, and state of residence. However, asset protection should always be considered as a component of any estate plan, even if the client ultimately elects a straightforward plan.

Income Tax Reduction. Settling an incomplete non-grantor trust in a state that provides beneficial income tax consequences (e.g., Nevada, Wyoming, or Delaware) can help a client significantly reduce their state income tax liability. These trusts are commonly known as NINGs (Nevada Incomplete Non-grantor Trust), WINGs (Wyoming Incomplete Non-grantor Trust), and DINGs (Delaware Incomplete Non-grantor Trust), etc. The common thread among Nevada, Wyoming, and Delaware is that these states do not impose an income tax on their residents and permit self-settled spendthrift trusts. By settling a non-grantor trust[19] in one of these and certain other states, the tax liability on the trust's earnings shifts to the state in which the trust is settled. As the trust is a non-grantor trust, the trust is obligated to pay the taxes, allowing the settlor to avoid a large state income tax bill on these trust assets. After years of untaxed accumulation and appreciation of assets, the settlor's initial investment should, theoretically, be much greater than if this trust was not settled to begin with. It should be noted, however, that trusts pay federal taxes at generally higher rates than individuals due to compressed income tax brackets.[20] Thus, the potential for increased federal income taxes must be weighed against state income tax savings.

[18] See Art. VII, section 6, Fla. Const. well as section 196.031, Fla. Stat. (2022).

[19] Meaning that the trust itself is obligated to pay the income taxes on all assets as opposed to a "grantor" trust, in which the income tax obligations instead flow through to the trust's settlor and is reported on the settlor's individual IRS Form 1041.

[20] During 2023, the tax rates for trusts are as follows: If the taxable income is between $0 and $2,900, the tax due is 10% of the taxable income. If the taxable income is between $2,900 and $10,550, the tax due is $290 plus 24% of the amount over $2,900. If the taxable income is between $10,550 and $14,450, then the tax due is $2,126 plus 35% of the amount over $10,550. If the taxable income is over $14,450, then the tax due is $3,491 plus 37% of the amount over $14,450.

[21] "Solvency" has been defined under U.S. bankruptcy law as the financial position where debts are not greater than all property at a fair evaluation, exclusive of fraudulent transfers and exempt property. There is also an equitable insolvency standard, meaning the inability to pay reasonably anticipated debts as they become due.

Case Study

It is often best to see how these techniques can come together through an illustration. This case study involves a family with the following characteristics and goals:

- Married couple with two children and a total net worth of $25,000,000, meaning that the clients will be subject to the federal estate tax when it is reduced on January 1, 2026. The family currently lives in Arizona.
- The family currently owns a $1,000,000 interest in a start-up company that is expected to go public in two years and is expected to appreciate significantly over the next five years.
- The family is relatively high profile and has been subject to several lawsuits in the past, but currently has no pending, threatened, or expected creditor claims.
- The family is not comfortable utilizing their full exemption amount at this time because that would require that they gift the entirety of their assets.
- The family would like to protect a $5,000,000 nest egg from creditors, but would like access to these funds if it becomes necessary to do so.
- The family estimates that they will need to retain $3,000,000 to remain solvent[21] and cover future spending needs.

This particular family can take advantage of several of the techniques described in this article. A summary of a potential overall plan for this family is as follows:

- The $1,000,000 start-up investment can be placed in a GRAT, likely with a term of five (5) years. Sufficient cash should also be transferred to the GRAT to enable the GRAT to pay at least the first two annuity payments (the period until the company's expected IPO) to the settlor. After the IPO, if there has been significant appreciation, consideration should be given as to whether the GRAT should be frozen to lock in this appreciation. This GRAT will remove the company's future appreciation from the parent's respective estates.
- An offshore self-settled asset protection trust should be formed to protect the $5,000,000 nest egg that the family wants protected from creditors. The family should retain the necessary $3,000,000 personally to have the family remain solvent and able to cover their future living expenses. This $3,000,000 can then be spent throughout the remainder of the parent's lives, only receiving distributions from the offshore trust when appropriate, in the trustee's discretion.
- If the exemption amount is decreased by Congress before January 1, 2026, or if the current exemptions are not made permanent, the offshore trust can be converted to a self-settled completed gift trust to utilize additional exemption.
- The remaining $16,000,000 can fund SLATs that the spouses set up for each other to utilize significant portions of their estate tax exemption. The SLATs will need to be designed carefully to avoid the reciprocal trust doctrine. The SLATs should be set up to benefit the spouse and their children during the spouse's life, and should create a dynasty trust for future generations upon the spouse's death. As the family resides in Arizona, a spouse can have a power to appoint the assets of their SLAT to a new trust for the benefit of the surviving spouse, which will allow the surviving spouse to benefit from the trust assets. SLAT assets should only be distributed during the lifetime of the beneficiary spouse if there are no other assets readily available to ensure that each SLAT provides the maximum estate tax benefit.

This plan should minimize any estate taxes to which the family may ultimately be subject, provide the family with a strong level of asset protection, and provide flexibility to adapt to any changing circumstances in the future. For example, the SLATs will allow the family to continue to benefit from gifted assets if necessary in the trustee's discretion, such as if the family's living expenses increase significantly and their other resources have been exhausted. Additionally, Arizona law gives the flexibility for the settlor of the SLAT to potentially benefit from the gifted assets after the settlor's spouse dies. However, the SLATs, mixed with the offshore asset protection trust, will also provide the maximum creditor protection going forward because each of these trusts is a spendthrift trust that will be difficult for a creditor to reach if properly drafted and administered. Thus, the family's risk associated with any future lawsuits is minimized.

Conclusion

Certain types of trusts, coupled with complex estate planning strategies can serve as effective tools to accomplish a variety of goals. As shown in this article, trusts serve numerous purposes, including depleting one's estate by shifting assets to or for the benefit of lower-generation beneficiaries and thereby avoiding estate, gift, and generation-skipping transfer taxes. Charitable goals may also be achieved through the use of trusts. As also noted, an asset protection trust provides an excellent tool to protect assets from the creditors of the settlor or of the beneficiary of the trust. A trust (or a number of trusts) should be considered in devising one's overall estate plan and in applying certain tax strategies. ■