

MEMBERS[®]

Trust Company

Trusts and Trust Companies

Since 1987, MEMBERS Trust Company has met the special needs of members by providing trust and asset management services. Owned by Ent and other credit unions and CUNA Mutual Insurance Society, MEMBERS Trust is managed by and for credit unions to meet the trust and investment needs of members. As a Credit Union Service Organization, MEMBERS Trust adopts the philosophy of its owners to serve members with superior financial products and quality service.

By definition, a trust company is “a company formed to act as trustee or to deal with trusts.” Sounds pretty simple, but in reality there are common misconceptions about trust accounts and trust companies that complicate how consumers view the trust industry. Most prevalent is the belief that trusts are only for the wealthy and cannot benefit middle class families with moderate assets.

Trusts can benefit anyone who owns assets of any kind, including stocks, bonds, mutual funds, jewelry, collectibles, real estate, and even life insurance. A trust can help safeguard assets for a spouse, children, or a person with disabilities; protect an estate from unnecessary court involvement; carry out charitable bequests; preserve the maximum value of hard-earned assets; and minimize estate taxes.

Another frequent misconception is that a will is enough to protect assets and ensure that final instructions are carried out correctly. While a will is an essential part of an estate plan, there are often situations where a trust would be a logical addition. If there are family members with special needs; a blended family with children from previous marriages; or concerns about the management of personal and financial affairs in the event of disability, then a trust account can provide more security and peace of mind than a will alone.

A trust is a legal document drafted by an attorney, designed to ensure that property and assets are transferred to the chosen heirs with maximum privacy and minimum taxes. The person who creates the trust is called a “trustor” (or “grantor,” “creator,” or “settlor”), and the individual or institution designated to make decisions about the trust assets is the “trustee.”

In addition to commonly known trusts, such as **Revocable Living Trusts**, which provide for asset management in the event of a disability and help avoid estate taxes and probate, there are many other types of trusts available to meet different financial and personal needs.

For instance, a **Qualified Terminable Interest Property Trust** is ideal for parents in a new marriage who want to provide for children from a previous marriage. It provides the surviving spouse with a lifetime income from the trust’s assets. Those assets are then passed on to the children of the first marriage upon the death of the spouse. Proper use of this trust may also help avoid death taxes.

If a family has a dependent with special needs, such as a disabled child, a **Special Needs Trust** will ensure that money is available to enhance their quality of life while still maintaining a loved one’s eligibility for government benefit programs. Trust assets can be used to purchase equipment and services not paid for by benefit programs, and individual assets can be transferred into the trust without incurring a transfer penalty relating to Social Security’s Supplemental Security Income or Medicaid eligibility.

An **Incentive Trust** can help children manage substantial assets at an early age. The trust makes distribution contingent upon the beneficiary meeting certain criteria, such as earning a college degree or

holding a job for a specified period of time. This type of trust can also be designed to distribute funds to the beneficiary in installments within a specific time frame.

With a **Generation-Skipping Trust**, assets may be used to fund a grandchild's education or special needs and to limit the tax liability of children with sizeable taxable estates. The surviving spouse and/or children can receive income throughout their lives, and the assets are distributed to grandchildren upon the death or specified age milestone of the surviving spouse/children.

An important part of creating a trust is naming a trustee, the individual or institution designated to manage the trust if the trustor is unable to do so. A relative or close friend is often chosen, but many people prefer to name a corporate trustee for the added peace of mind that comes from having an objective and impartial trust expert managing the trust. When acting as a trustee, trust companies establish the trust relationship and carry out instructions according to the terms of the trust document.

Besides administering the many types of personal, charitable, and foundation trusts, most trust companies also offer professionally managed investment portfolios and investment advice. A customized investment plan will take into consideration the needs of the client and is based on existing investments, desired risk levels, expectations of returns, liquidity requirements, retirement and tax planning, and current and future financial needs. Other services often offered by trust companies include business retirement plans, Individual Retirement Accounts and IRA Rollovers, asset custodial services, and estate settlement.

Non-deposit investment products offered through MEMBERS Trust Company are not deposits of or guaranteed by the trust company, Ent Federal Credit Union or credit union affiliates, are not insured or guaranteed by the NCUA, FDIC or any other governmental agency, and are subject to investment risks, including possible loss of the principal amount invested. Trust services provided by MEMBERS Trust Company, a Federal Thrift chartered by the Office of Thrift Supervision. MEMBERS Trust Company cannot offer legal advice or prepare custom legal documents.