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Richard P. Slaughter Associates Inc.
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"How do I ensure the success of the trusts I established?"

By Darby Armont

2012 was a watershed year for wealth transfer: Laws affecting estate tax, gift tax and generation-skipping transfer tax were scheduled to take effect in 2013, bringing dramatic and potentially costly change. That is why conscientious individuals took advantage of gifting *last* year. The rate of transfer for assets via gifts was, by some estimates, up to four times above normal.

Among those transferring wealth to their heirs, many elected to use an irrevocable trust. Establishment of the trust, however, was only the first step. The second was to ensure the trust's long-term success with a series of maneuvers through complex emotional and financial issues.

POTENTIAL PEOPLE PROBLEMS

As with any financial situation, a well-designed plan may be undone by the people involved. On the donor's side, there is a natural tendency to relax after the long and complex process of tailoring the trust to the beneficiaries' needs. A beneficiary might not use the funds in accordance with the guidelines. A trustee might fail to honor the trust's intent. And already strained family ties might worsen and pose problems for the trust. But there are steps you can take to guard against these potential trouble spots.

MAKING WISE TRUSTEE CHOICES

A crucial decision is the naming of the trustee. To make the best possible choice, you need to understand the trustee's role.

One of a trustee's primary responsibilities is explaining the trust's purpose and the benefits beneficiaries will enjoy. Without a clear explanation, beneficiaries often focus only on the restrictions to accessing "their" money. A trustee must make those constraints and other terms of the trust clear. If the beneficiary understands up front exactly what he or she can and cannot do, future conflicts or surprises may be avoided.

Because of the emotional component of money, consider choosing a corporate or professional trustee instead of a family member or friend. This removes any possible personal conflict with the beneficiary.

Just as important, a professional trustee provides liability protection if the trust's terms are not followed. And his or her experience administering trusts can head off many potential problems before they surface.

Similarly, consider turning investment decisions over to a professional financial advisor. This will ensure that the portfolio is invested according to the beneficiaries' financial needs. An advisor independent of the trustee and custodian provides a check and balance with the many professional relationships involved.

Also examine the merits of using a trust protector. This independent third party has the ability to fire the trustee and avoid or mitigate costly litigation by beneficiaries in the event of malfeasance.

TRUST THE TRUST PROCESS

You have established an irrevocable trust to provide for your family's future needs. You have named the appropriate trustee and financial advisers.

Now get out of the way.

This is not simply a reminder to relax and be confident in the decisions you have made for the well-being of your heirs. It is the wise and legally required way to handle the trust you have established. You must now accept the trade-off of losing some control. If the grantor to an irrevocable trust retains too much power over the trust assets, the trust could come back into the grantor's estate or open a window to creditors.

Let the advisors you have selected educate and guide your beneficiaries as they find their own way in the world. You may not always agree with their decisions, but they are their decisions. And you can rest assured that your heirs will appreciate the security you have provided with the careful transference of some of the fruits of your labor to them.

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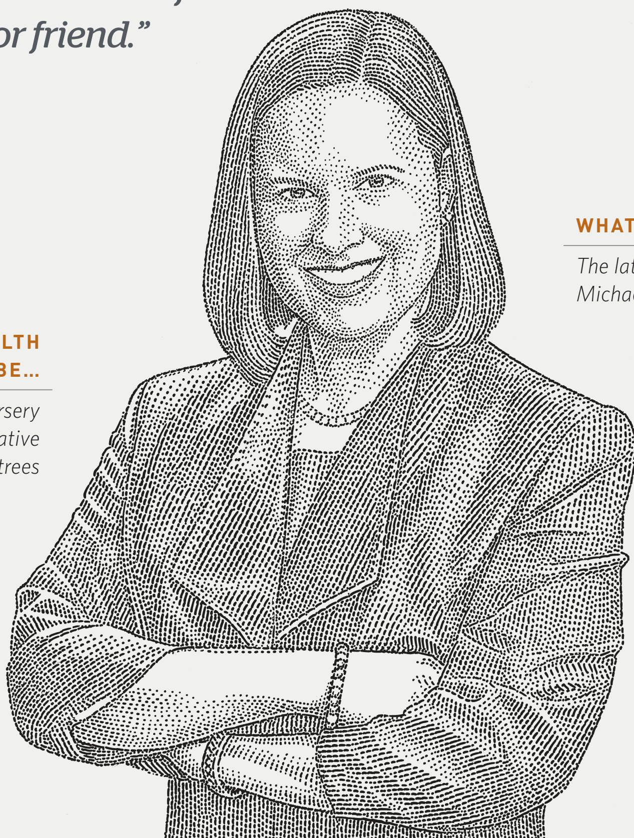
—Darby Armont

How to reach Richard P. Slaughter Associates

You can reach any member of our team at 512.918.0000*.*
We look forward to speaking with you.



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The latest mystery by Lee Child, Michael Connelly or Laura Lippman

IF I WEREN'T A WEALTH ADVISOR, I'D BE…

The owner of a nursery specializing in native plants and trees

WHAT MAKES A GOOD WEALTH ADVISOR…

The ability to communicate a complex financial plan in a meaningful and actionable way

About Richard P. Slaughter Associates

Richard P. Slaughter Associates is a leading wealth management and financial planning firm which specializes in working with high net worth individuals, entrepreneurs and families. Slaughter Associates cultivates a comprehensive financial relationship with its clients by delivering expertise in financial planning and asset management and coordinating with tax, insurance and estate professionals. The result is a holistic approach that is unique in a financial industry that is often segmented and outsourced. By committing to these important components, Slaughter Associates charts a path to reach the individual financial goals of its clients. Founded in 1991 in Austin, Texas, by Richard Slaughter, Slaughter Associates is one of the original fee-based firms in the nation. With offices in both Austin and the Dallas-Fort Worth Metroplex, Slaughter Associates has been recognized by NABCAP as a Premier Advisor and given Exemplary status for expertise in personal risk management.

Assets Under Management
$320 million

Largest Client Net Worth
$20 million

Minimum Fee for Initial Meeting
None required

Minimum Asset Requirement
$500,000 (investment services)

Website www.slaughterinvest.com

Compensation Method Asset-based and hourly fees

Professional Services Provided
Planning, investment advisory and money management services

Primary Custodians for Investor Assets Charles Schwab & Co., Pershing, a BNY Mellon Company and TD Ameritrade

Association Memberships
CFA Institute, CFA Society of Austin, Financial Planning Association, The National Association of Personal Financial Advisors

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