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VOLUME 24 | EDITION 02



LLBH Private Wealth Management LLC

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“Demystifying trusts: What can and can’t you do?”

By Bill Loftus and Sarah Simon

Many clients have initial reservations about setting up irrevocable trusts, even though they can often provide significant income and estate tax benefits. The common refrain we hear is, “I will no longer have control and my wishes won’t be carried out. I won’t be able to use the advisors I want, and my children or a corporate trustee will get to decide everything.”

But these concerns are not warranted. We recently sat down with David Warren, president of Bridgeford Trust Company, a South Dakota trust company, and asked him to debunk some of these myths and provide solutions to put our clients and others at ease.

Q. Are irrevocable trusts really irrevocable?

A: That is a great question and one of the areas where certain asset protection states like South Dakota are able to excel and provide insights into preconceived notions many people have. Modern trust-law concepts such as trust protector, directed trust, decanting, reformation, modification, removal of trustees and relaxed rules around transfer of trust situs have revolutionized the trust industry. I know this is quite a bit of legal jargon

but I am happy to put some of these concepts into plain English.

Q. Great, why don’t we start with what is a directed trust?

A: Directed trusts are only available in a handful of states across the country, including South Dakota. Directed trusts provide a family with maximum flexibility and control regarding the trust’s asset allocation, diversification, investment management and distributions. A directed trust allows the client, who appoints an administrative trustee in a directed trust state, to appoint a trust advisor or an investment trustee/committee. The directed trust concept unbundles functions (asset management and trust services) that have traditionally been bundled by large bank-based corporate trustees.

Q. What does this mean for clients and how does it allow them greater flexibility?

A: A directed trust can be used by a settlor who wants to fund an irrevocable trust with a closely held company or a specialized asset, but who also wants to place control of such assets in the hands of a particular individual (or a group of individuals) familiar with the company’s operations or that type of specialized asset. This means

that the client is in control of whom they want to work with and can use the same advisors they would have whether the asset is in a directed trust or held outright. They are able to get the tax savings without giving up control, which is important to the families we are working with.

Q. What are the states I should be looking at when considering directed trusts?

A: That is another great question. My personal bias is towards South Dakota. That being said, Nevada attorney Steve Oshins came out with an objective ranking looking at which are the best states in terms of flexibility/decanting. South Dakota was ranked number 1, followed by Nevada. Other states many people look at are Delaware, Alaska and Wyoming.

Q. If you had to summarize the take-away from our discussion today, what would it be?

A: The trust world has become extremely dynamic with many more tools available to the well-versed planner to better serve clients and provide far more control and flexibility in the creation and modification of solid wealth planning now and for generations to come. ☺

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“You are able to get the tax savings without giving up control, which is important to the families we are working with.”

—David Warren, President,
Bridgeford Trust Company

How to reach **Bill Loftus**

I look forward to discussing how LLBH can help you reach your financial goals and can be reached at 800.700.5524.



Left to right:
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LLBH Private Wealth Management LLC is an independent registered investment advisor offering a full range of wealth management and family office services, including financial planning, asset management, concentrated stock hedging, lending, cash management and alternative investment due diligence. Often referred to as a virtual family office, LLBH delivers these myriad solutions to its clientele to help bring clarity and control to their financial lives. From its base in Westport, Conn., LLBH provides these services to wealthy families across the country and has a significant West Coast presence focused on the entertainment industry. LLBH works with approximately 140 families approaching \$1.6 billion in assets under advisory.

Assets Under Care **\$1.6 billion**
(approximately, as of 12/31/2014)

Minimum Fee for Initial Meeting
None required

Minimum Net Worth Requirement
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Financial Services Experience
200 years (combined)

Compensation Method **Asset-based**

Primary Custodian for Investor Assets
Pershing, A BNY Mellon Company

Professional Services Provided **Financial planning, asset management, concentrated stock hedging, lending, cash management, alternative investment due diligence and family office services**

Association Membership **Financial Planning Association, Investment Management Consultants Association**

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