The Wealth Compass
Navigating Your Financial Journey

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Trust Us—Most People Get Trusts Wrong

Trusts are one of the most misunderstood tools in financial and estate planning. Often seen as something reserved for the very wealthy or overly complicated to implement, the reality is quite different. Whether you're planning for your family's future, navigating long-term care concerns, or aiming to protect your assets, a well-crafted trust can play an important role. But only if you understand what it can—and can't—do.

Here are five common misconceptions about trusts and the facts behind them:

1. "Trusts are only for the ultra-wealthy—and they help avoid taxes."

- Revocable living trusts offer no income, gift, or estate tax benefits during your lifetime. You retain full ownership and control of the assets, so they remain part of your taxable estate.
- Irrevocable trusts may offer certain tax advantages, such as removing assets from your estate or shifting income to beneficiaries—but only if drafted properly and used with intention.
- Certain irrevocable trusts (specifically, non-grantor trusts where income stays within the trust) are taxed at higher income tax rates than individuals. In 2025, trust income over just $15,000 hits the top marginal federal rate—making tax efficiency a critical consideration in trust planning.
- So while some trusts can play a role in tax strategy, their real value often lies in asset protection, continuity of management, and control over distributions, not tax avoidance.

2. "If I have a will, I don't need a trust."

A properly executed trust:

- Takes effect as soon as it's funded.

"If you do not have a Will or plan for your estate, then the government has one for you." Shez Christopher.

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- Avoids the slow and public probate process for all assets held in trust.
- Provides continuity in case of incapacity (your successor trustee can step in immediately).
- Offers flexibility during your lifetime, and structure after death.

3. "If I create and fund a trust, the government can't take my assets if I go into long-term care."

- Assets in a revocable trust are not protected from Medicaid eligibility rules. Because you still retain control and access, these assets are treated as your own when determining whether you qualify for Medicaid coverage of long-term care. That means they are considered "countable assets"—and must typically be spent down before you can receive government assistance.
- Irrevocable trusts may offer protection, but only if:
  - Set up well in advance (at least five years before applying for Medicaid)
  - Drafted properly by an experienced attorney
  - Funded with assets that are no longer accessible to you
- Poorly structured trusts or last-minute planning can disqualify you from benefits. Long-term care planning should start early—and with expert legal advice.

4. "Once I create a trust, I lose all control."

- With a revocable trust:
  - You can change the terms at any time.
  - You can add or remove assets.
  - You can dissolve the trust completely if you choose.
- Irrevocable trusts are more rigid—but for good reason. They can provide tax benefits, creditor protection, and long-term care planning advantages.
- Even then, tools like trust protectors or powers of appointment can allow for flexibility under the right circumstances.

5. "Trusts are just for distributing money when I die."

- Trust are also for:
  - Managing your assets if you become ill or incapacitated.
  - Delegating responsibility to a trusted person (trustee) while retaining control.
  - Planning for unique circumstances like blended families or charitable giving.
- Trusts can also allow you to create conditions: for example, delaying distributions until a child finishes college, or protecting an inheritance from divorce or lawsuits.

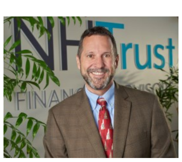
Final Thought: Trusts Should Reflect Your Goals

There's no one-size-fits-all solution when it comes to trusts. The most effective estate plans are built around you—your family, your values, and your long-term vision.

At NHTrust, we help clients align their financial plans with estate planning strategies that support their goals. While we don't draft legal documents, we work closely with experienced estate planning attorneys to ensure the plans our clients put in place are sound, thoughtful, and well-coordinated. We are also able to serve as corporate trustee to ensure proper execution of your documents.

If you don't already have an attorney, we're happy to refer you to professionals whose work we know and trust.

Important Disclosure: This material is for informational purposes only and should not be construed as legal advice. NHTrust does not draft trusts or legal documents. Trusts should be created in consultation with a qualified estate planning attorney licensed in your state.



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