



Tomato Plants and Trusts

April 20, 2021

A few years ago, some friends asked my family to take care of their tomato plants while they went on vacation. While they were away we could eat ripened tomatoes, and when they returned my husband and I could keep one of the plants. This agreement is a very simplified example of how some trusts work. The following is an introduction to trusts and how clients use them, as well as an explanation for the tomato plants and trusts analogy from my perspective as a Private Wealth Advisor.

Introduction to Trusts: A Financial Planner's View

As a Certified Financial PlannerTM, I describe trusts as assets with instructions. Typically, trusts are fiduciary arrangements involving three parties:

1. **Grantor:** individual who contributes assets to the trust.
2. **Trustee:** legal owner of the trust; person responsible for managing the assets.
3. **Beneficiary:** person who gains access to, or benefits from, the trust's assets.

In the tomato plant example, my friends were the grantors and my husband and I were the trustees, responsible for caring for the plants. While our friends traveled, my husband and I were the beneficiaries of the plants because we ate the tasty grape tomatoes. When our friends returned, my husband and I continued to be beneficiaries of the tomato plant that we were given, and my neighbors resumed being beneficiaries of the plants that they reclaimed.

Trust and estate attorneys generally set up trusts for clients seeking certain benefits, including:

- **Minimizing taxes:** grantors seeking to reduce income or estate taxes.
- **Controlling wealth:** grantors control when and to whom assets from the trust are distributed.
- **Retaining privacy:** in the event of death, trust assets may pass to the beneficiary outside of probate.
- **Protecting legacy:** carefully structured trusts may help protect the assets from beneficiaries' creditors or from beneficiaries themselves.

There are many types of trusts; some spouses set up trusts to provide benefits when one partner predeceases the other. Other grantors set up Irrevocable Life Insurance Trusts (ILITs) to be beneficiaries of life insurance policy proceeds. Charitably inclined grantors may set up Charitable Lead Trusts, Charitable Remainder Trusts, or Grantor Retained Annuity Trusts. Whether a trust makes sense for you depends on your unique needs and situation.

Trusts Equal Goals and Control

Daily, clients and I talk about what is important to them and how they can use their finances to experience peace of mind over time, as life inevitably changes. We discuss the estate plans they have in place, the titling on their various financial accounts, and how they expect the assets they have worked so hard to build over the course of their lives will be transferred in the future.

When different life circumstances prompt clients to ask about trusts, I like to ask two questions to guide our conversation:

- What goal are you trying to achieve?
- How much control do you want to retain around the assets you put into the trust?

What Goal Are You Trying to Achieve?

Clients owning large estates seeking to minimize taxes often set up trusts. Today, each person has an estate and gift tax exemption of \$11.58 million (\$23.16 million for married couples). While current law decreases these levels by half in 2025, the Biden Administration has indicated that it would like to reduce these exemptions further and increase the rates at which estates are taxed. Other clients of mine who do not have children have set up living trusts to facilitate the transfer of their real estate and non-retirement investment accounts to their beneficiaries outside of probate upon their death. They want the transfer of their assets to bypass the courts and be completed privately.

How Much Control Do You Want to Retain?

A major distinction across the different types of trusts is whether they continue to be controlled by the grantor after the trusts are established. For instance, a revocable trust, known as a living trust, is flexible and stays in the control of the grantor throughout their lifetime. While a revocable trust may help avoid probate in the transfer of assets, it is usually treated like any other asset the grantor owns during their life and is subject to estate tax upon their passing. In contrast, an irrevocable trust moves out of control of the grantor. Once executed, the assets in the irrevocable trust are out of the grantor's estate, with the grantor having no ability to change any terms of the trust, including the ability to dissolve it.

Now back to the tomato plants where we started. The tomato plants that my neighbors resumed ownership of were like revocable trusts. And the tomato plant that my husband and I were given is like an irrevocable trust. If you aspire to experience peace of mind, optimize your financial health, and make sense of your financial planning choices today and over time in digestible ways like this, I am right here.

Caroline Wetzel is one of Natural Nutmeg's 10Best Winners for Business/Life Coach. Caroline is a Certified Financial Planner™ (CFP®) and Vice President, Private Wealth Advisor with [Procyon Private Wealth Partners, LLC](#). Procyon Private Wealth Partners, LLC and Procyon Institutional Partners, LLC (collectively "Procyon Partners") are registered investment advisors with the U.S. Securities and Exchange Commission ("SEC"). This article is provided for informational purposes only and for the intended recipient[s] only. This article may also include opinions and forward-looking statements which may not come to pass. Information is at a point in time and subject to change. Procyon Partners does not provide tax or legal advice.