

Passing Money To Your Children: Traditional Method vs. Inheritance Trust Method

Traditional Method

Children are direct beneficiaries of your revocable trust or will



At parents' death, inheritance passes outright to children, who have full use of money.

Disadvantages:

1. Funds may be co-mingled with spouse's funds.
2. Subject to claims of child's spouse in event of divorce, or to the claims of child's widow(er) when child passes away.
3. Your child may leave the money to anyone, including a second spouse and/or stepchildren.

Inheritance Trust Method

Children's Inheritance Trusts are beneficiaries of your revocable trust or will



At parents' death, inheritance flows into children's Inheritance Trusts.



<p>Child A's Inheritance Trust</p> <p>Child A is Beneficiary and Trustee.</p> <p>Child A has access to principal and interest</p> <p>At Child A's death, remainder passes to Child A's children, or to your other children or your grandchildren.</p>

<p>Child B's Inheritance Trust</p> <p>Child B is Beneficiary and Trustee.</p> <p>Child B has access to principal and interest.</p> <p>At Child B's death, remainder passes to Child B's children, or to your other children or your grandchildren.</p>
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Advantages:

1. Child has full use of principal and income.
2. At child's death, remaining monies are passed to child's children (your grandchildren) or distributed among your surviving children.
3. Exempt from claims of spouse in the event of your child's divorce or death.