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## Trusts: Different Types, Uses & Examples

When people decide to add a trust to their estate plan, they're often surprised to find out how many types there are to consider.

So how can you know which is best for you? In truth, there is no one-size-fits-all answer, and each individual's needs are unique.

Knowing the basic types of trusts and their advantages can help you make sense of your options. Luckily, that doesn't have to be a time-consuming task — you can use this quick overview of different trust types to get started:

### ***What are trusts, and how do they work?***

A trust is a legal arrangement where a trustee holds a grantor's assets for one or more beneficiaries. They are a key component of many estate plans in order to better protect the inheritance of assets and in some cases, reduce estate taxes.

You can divide trusts into two basic categories:

**1) Revocable:** The grantor maintains control over the assets during their lifetime, and they can change or revoke the trust at any time. The assets will pass directly to the beneficiaries upon their passing.

**2) Irrevocable:** Once a grantor creates an irrevocable trust, they can't change or revoke it. However, the grantor can remove assets in the trust from their taxable estate.

Additionally, several (typically irrevocable) trusts exist for specific use cases, assets or beneficiaries. For example:

**Life Insurance Trust:** The grantor can transfer their life insurance policy to a trust and dictate how funds are distributed between beneficiaries and when (e.g., for a grandchild's 18th birthday).

**Generation Skipping Trust:** The grantor can set aside assets for their grandchildren. Assets in the trust can bypass estate taxes that would normally apply if the beneficiaries were the grantor's children — a generation-skipping tax (GST) may apply, though.

**Charitable Trust:** This type of trust can provide tax benefits to the grantor while supporting a charitable cause.

**Special Needs Trust:** A special needs trust is designed to provide for a beneficiary with special needs without disqualifying them from important government assistance programs.

If you have questions about your estate plan, help is always an email or phone call away.

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