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What Is a Dynasty Trust and Which Clients Should Consider Them?

Advising your clients on the best ways to protect their family and wealth requires considerable financial and estate planning knowledge. Armed with this knowledge, you can help your clients explore all options available to protect their legacy. Depending on a client's situation, a dynasty trust may be one of the options you present.

Who Could Benefit from a Dynasty Trust?

An ideal client for a dynasty trust is typically someone with substantial wealth and a desire to create a lasting financial legacy for their family that spans multiple generations. These clients are often concerned about preserving their wealth from erosion due to taxes, potential creditors, lawsuits, or other financial risks while ensuring responsible management and distribution of their money and property.

High-net-worth individuals may need complex estate planning strategies to achieve these goals. A successful estate plan is not just about transferring wealth to the next generation. It is about sharing their vision for their family's financial future along with setting certain guideposts for the management and distribution of wealth to ensure responsible financial stewardship.

How a Dynasty Trust Works

Creating and funding a dynasty trust should be done by an experienced estate planning attorney along with other trusted advisors. In working together as a team, these professionals can guide the client in deciding which cash, real estate, investments, or other valuable property should be transferred to the trust. The client may be able to use

their lifetime gift tax exemption to successfully transfer these items while minimizing tax consequences for themselves and their heirs in the future. Tax-efficient growth creates an even greater legacy for successive generations.

A dynasty trust is designed to be perpetual or of long duration. Unlike some other trusts that have a limited or fixed termination date, a dynasty trust will likely last for multiple generations and continue to accumulate and grow wealth over time.

A dynasty trust often involves appointing a professional trustee, such as a bank or trust company, to oversee the management and administration of the trust. They must follow specific terms and guidelines, ensuring responsible governance and distribution of resources according to your client's wishes. These terms may include flexible distribution provisions to provide income to beneficiaries, an option for the trustee to make discretionary decisions based on specified criteria or permitting the trustee to adjust distributions in response to changing family circumstances.

Why Would Your Client Want a Dynasty Trust?

By placing money and property in a well-structured dynasty trust, your client ensures that the wealth they have worked hard to accumulate remains protected within the family.

Life is unpredictable, and unforeseen circumstances such as lawsuits, creditors, or even divorces can pose threats to the financial stability of your client's family. Since money and property are legally owned by the dynasty trust rather than any individual family member, they can be safeguarded from creditor claims and legal judgments in many cases.

Estate taxes can significantly erode the wealth passed down to heirs. Dynasty trusts are structured to minimize the impact of estate taxes over multiple generations. Additionally, the appreciation in value of trust resources while the client is alive will occur outside your client's taxable estate, allowing for potential growth free from estate tax implications.

Customized provisions in a dynasty trust can govern how money and property in the trust are managed and distributed. This level of control is particularly beneficial when there are concerns about the financial acumen or spending habits of future generations. Your client can ensure that their wealth is managed responsibly while still providing for their heirs.

If you have high-net-worth clients seeking to create a lasting financial legacy for their families, help them discover sophisticated planning tools like the dynasty trust. By leveraging the benefits of perpetual duration, tax-efficient growth, asset protection, and responsible governance, your clients can address the unique needs and goals of their families over multiple generations.

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I WORK COLLABORATIVELY WITH A CLIENT'S PLANNING TEAM OF FINANCIAL ADVISORS, INSURANCE PROFESSIONALS AND ACCOUNTANTS TO ADVISE CLIENTS ON THE BEST WAY TO ACHIEVE THEIR GOALS

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