

What Is a Family Trust, and How Do You Set One Up?

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Trusts are used to manage estate taxes, shelter assets from creditors and pass on wealth to future generations.

A family trust is a specific type of trust you could use to help ensure your loved ones receive your wealth and potentially avoid public disclosure of trust assets.

However, not every family may need a family trust. Wondering if a family trust is right for your assets? We believe speaking with a financial advisor could be a good first step to answering that question and potentially setting one up.

Financial advisors can be well-versed in estate planning, and helping find the most tax-efficient way to leave assets to your heirs.

But finding an advisor can seem daunting, so we created a free tool to help match you with up to three financial advisors.

Research suggests people who work with a financial advisor feel more at ease about their finances and could end up with about 15% more money to spend in retirement.¹

A 2022 Northwestern Mutual study found that 62% of U.S. adults admit their financial planning needs improvement. However, only 35% of Americans work with a financial advisor.²

Final lifetime net worth with and without a financial advisor.

Disclaimer: This example demonstrates the potential final lifetime portfolio value, accounting for estimated investment returns, tax savings and inflation over different life stages for an individual starting with \$500,000 at age 45, through age 77. Under a set of core assumptions, this consumer profile is projected to have a final lifetime portfolio value of approximately \$3.24 million if retaining the services of a financial advisor – not accounting for additional savings or portfolio withdrawals – versus a final estimated lifetime portfolio value of \$1.56 million without the services of a financial advisor. This example is based on the valuation framework presented

in SmartAsset's whitepaper ["The Value of a Financial Advisor: What's It Really Worth?"](#)

[\(Nov. 2024\)](#). The value of professional financial advice is only an illustrative estimate and varies with each unique client's individual circumstances and portfolio composition. Carefully consider your investment objectives,

What Is a Family Trust?

There are three parties in a family trust: a grantor, a trustee and the beneficiaries.

The grantor makes the trust and transfers their assets into it. The trustee manages the assets in the trust on behalf of the beneficiaries, who receive some type of financial benefit from the trust.

A family trust lists your family members as the beneficiaries, and can also include spouses.

Family trusts are a type of living trust that takes effect during your lifetime, and can be revocable or irrevocable.

Revocable trusts can be altered or terminated at any time, while irrevocable trusts are permanent.

With a revocable family trust, you can act as your own trustee, naming successor trustees to take over if you become incapacitated or pass away. With an irrevocable trust, you must name someone else to act as the trustee.

What Are Family Trusts Used For?

A family trust could help ensure your assets are managed according to your wishes on behalf of your beneficiaries.

The trust specifies when beneficiaries can access their share of your assets and under what terms.

Family trusts can be useful in estate planning if you want to avoid probate for your family.

Probate is the legal process of distributing the assets in an estate, due to the decedent dying intestate (without a will) or having an estate larger than their respective state government's limit.



Anything that happens in probate is part of the public record and it can be a time-consuming and expensive process.

You could use an irrevocable family trust to insulate assets from creditors.

Most importantly, a family trust could potentially help minimize estate taxes once the trust grantor passes away.

risk How to Set Up a Family Trust

The first step in creating a family trust is typically talking with an estate planning attorney or financial advisor to help find the trust option that could best suit your needs.

Next, you'll designate a trustee – yourself or you could name someone else. Then, decide which family members you want to benefit from the trust and determine exactly what they'll get.

From there, you'd create the trust agreement. This is when it could be better to work with a professional, especially if you have substantial assets.

Next, you'll fund the trust by transferring assets to the ownership of the trustee. So if you want to place a home inside a family trust, you'd transfer the deed to the trustee.

* Be sure to check the local legal requirements for a family trust. Otherwise, your heirs might run into issues when it's time to access trust assets. This is another area where a financial advisor's advice could potentially be beneficial. factors, and perform your own due diligence before choosing a financial advisor.

Is a Family Trust Right for You?

A family trust is something you might consider using if you want to keep your wealth in the family.

Ultimately, choosing whether to utilize a family trust comes down to what's best for your individual financial situation and estate planning needs.

Consulting a fiduciary financial advisor could help you determine a plan that factors your assets and taxes into your overall retirement and estate-planning goals. Fiduciaries are

obligated by law to act in your best interest and any potential conflicts of interest must be disclosed.

Yet knowing how to find a vetted fiduciary advisor is, for many, the most confusing task of all.

Common Google searches related to the topic reveal a desperate search for direction.

"Fiduciary financial advisors near me," "best fiduciary financial advisor," and "financial investment advisors near me" are searched hundreds of times per day.

Finding a fiduciary shouldn't be that hard. Thankfully, now it isn't.