

NORTHWEST TRUSTEE & MANAGEMENT

Services

FALL 2004

VOL. 5, ISSUE 2



by Stephen Trefts, President

TRUSTS TO BENEFIT CHILDREN—

Trusts for children come in many different forms and can be crafted to meet the needs of each individual child. Following are examples of the possibilities available to provide for children through proper trust planning.

EDUCATIONAL TRUSTS

Educational trusts can be very creative, both in the way they are established and in the actual trust provisions. For instance, educational trusts can be funded by annual gifts from the parents to a trust. There is no tax on the gift to the trust and the assets are removed from the estate for estate tax purposes. Under current law, a husband and a wife can deposit \$22,000.00 a year to this type of trust for each of their children and avoid gift tax. Educational trusts may also be established through a will or with lump sum payments.

The terms of these trusts can vary greatly depending upon the desires of the person who creates the trust. The trust can define and limit allowable payments and might require, for instance, that the student maintain a specific grade point average or attend a certain type of institution. An educational trust could provide for distribution after graduation or other milestones, such as attaining a certain age.

REVOCABLE LIVING TRUSTS FOR THE FAMILY

A Revocable Trust, which may be amended or revoked by the person establishing it, can be used creatively for the support and education of family members. As an example, an elderly woman put her home and all her assets into

her trust. We sold the home and used the trust funds to pay for medical expenses and her retirement home in Arizona for the remainder of her lifetime. The net income is now distributed to her son and will eventually provide for her great granddaughter's college education.

LITIGATION SETTLEMENT TRUSTS

When a child is injured, compensation for the injury could either be a lump sum payment or payments over a period of time. The courts have frequently named us as trustee to manage settlement funds and/or receive annuity payments for a minor.

In one such case, a teenager was injured while helping his father on the job. Recognizing his inability to manage money, the teenager, through his attorney, extended the trust so that it would distribute at age 29. For over a decade, we managed the trust and paid for the beneficiary's basic and supplemental needs and provided extras such as counseling

Continued next page—



by Sandy Calbreath, Trust Officer

SUCCESS STORY HONORS MOTHER'S MEMORY—

EDUCATIONAL TRUST LINKS FUTURE AND PAST

When Laura Campbell was six years old, her life was unalterably changed by an automobile accident that claimed the life of her young mother, Maria. Laura remembers her as a woman devoted to teaching her young daughters. Maria's legacy has continued through an educational trust funded with the insurance settlement from her untimely death.

After the accident, Laura and her sister were raised by their father on the Colville Confederated Tribes Reservation in Omak, Washington. Finances weren't easy for the



TRUSTS TO BENEFIT, continued —

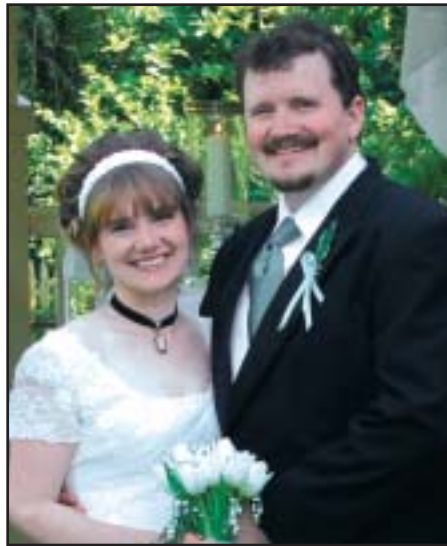
and Christmas gifts. As trustee, we were able to preserve the trust until he gained a greater level of maturity.

SPECIAL NEEDS TRUSTS

When a child receives funds as a result of litigation, the award is often insufficient to meet the child's needs. Further, the settlement funds can jeopardize state and federal funding sources available to the child unless the litigation proceeds are placed into a "special needs" trust. This type of trust allows the trustee to pay for supplemental care of the child over and above the basic needs of food, clothing, and shelter which are provided by the state. After the child's lifetime, the balance of the trust is used to reimburse the state for payments made on his or her behalf.

We serve as trustee for many of these highly specialized types of trusts which require annual court reporting and accounting. In doing so, we work with the family and the court system to ensure that the funds are properly managed. Supplemental items provided for special needs trust beneficiaries have included: customized vans, motorized wheelchairs, hospital beds, additional caregiving services, medical supplies and extensive remodeling to make the home handicapped accessible.

Trusts for minors are varied in form and varied in purpose, but they all share the common goal of protecting the child's assets and providing security for his or her future. We count it as a privilege to be a part of the endeavor.



SHARON FRANNEY WED—

Congratulations to Trust Officer Sharon Franey Carter on her recent marriage.

SUCCESS STORY, continued —

family and her father, Vance Campbell, quipped that the girls were "raised on reality by an old cowboy."

Despite their financial hardship, Vance indicated that setting aside the funds for his daughters' educations was a good idea because "education is highly valued by the family." Setting the money aside provided the additional advantage of allowing the funds to grow. As trustee, Northwest Trustee & Management Services invested the funds for growth in high-quality, conservative mutual funds and carefully monitored investment performance through annual reviews. By the time Laura was ready for college, the trust value had increased by over 32%.

Though Laura conceded that life would have been easier if access to the funds had been available while she was growing up, she noted that the trust provided an incentive to continue her education. Acknowledging that she was raised in an area where many students

did not attend college, Laura noted "it would have been easy to drift along or give up. Knowing that the [trust] funds were there gave me an extra boost to pursue my [educational] goals."

Through the "running start" program, Laura simultaneously earned a high school diploma and graduated Phi Beta Kappa from Wenatchee Valley Community College. At eighteen, she was off to Chaminade University in Hawaii as a junior to pursue a master's degree in biology.

As well as maintaining a 4.0 g.p.a. at Chaminade, Laura has been invited to participate in soil bacteria research at the University of Hawaii. Laura is able to take advantage of this opportunity due to the support she receives from the trust. Since the trust pays for her tuition, fees and books, room and board, and travel expenses, she has the freedom to do research rather than work an extra job. "The support from my trust" says Laura "allows me to keep my focus on my academic work rather than finances."

In the future, Laura aspires to earn a doctoral degree from Dartmouth College where she would like to pursue ethno pharmacology, focusing on the traditional Native American medicines used by her grandmother.

With a bright future ahead of her, Laura Campbell, through her academic successes, has found a way to honor her mother's life and memory.



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