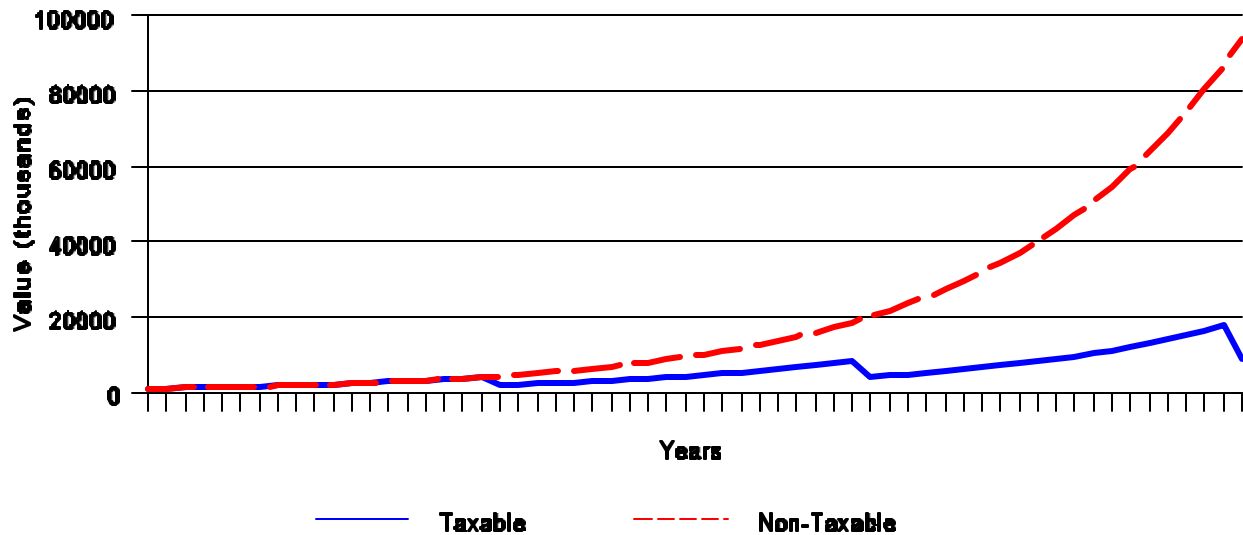


Dynasty Trusts

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1. Dynasty Trusts. Take a look at the generational confiscation of wealth which occurs. Assume an estate starts with \$1.0 million and grows at a 8% rate per year. Every 20 years, a generation dies and 55% of the accumulated wealth is confiscated over 81 years. The following chart shows the tax impact (assuming the family did not spend the money to support a lifestyle).

Using a Dynasty Trust



1. Economics. Instead of losing 55% of the estate to a confiscation tax every 20 years, the estate continues to grow and the compounding of the funds which would have been paid in estate taxes results in significant growth in the value of the trust assets. Virtually every client wants to avoid the estate tax. Shown the above calculations many clients have seen the benefit of avoiding the estate tax at each generation's demise.
 2. Rule Against Perpetuity. Six states have now eliminated the rule against perpetuities which generally denies the creation of a trust in perpetuity. These states are Alaska, Delaware, Idaho, Illinois, South Dakota and Wisconsin. Generation skipping trusts can be created in these states and continue without being required to be terminated in the future. Especially for family business interests and insurance trusts, this may be an excellent tool to avoid future estate taxes. If the approach is adopted, the trust instrument should make some provision for termination - such as allowing the trustees by unanimous decision to terminate the trust.
 3. Perpetual Estate Plan. Because these trusts are irrevocable, many people believe they are bound to be inflexible. This is not the case. A Trust Instrument has relatively few restraints on what can be provided in the document. Through the creative drafting, a "*Living*" document can be created - a **PERPETUAL ESTATE PLAN**™.
2. Family Incentive Trust™. But the Dynasty Trust creates an inevitable issue: What will the impact of that inherited wealth be on the future generations? The Family Incentive Trust™ is one solution to this problem. It is designed to create **opportunities** for family without supporting a lavish **lifestyle** for future generations.
 1. Structure: The FIT is a "dynasty" irrevocable, generation skipping trust, which is provides benefits for future generations. The Trust serves a number of family needs, including:

1. First, by providing a “Safety Net” to Family Members
2. Second, by providing “Incentives” which Encourage Positive Behavior by Family Members
3. Last, by Providing a Source for Loans and Investment Capital for Family Members

Unless truly destitute, **NO FAMILY MEMBER CAN LIVE OFF THE TRUST INCOME!** |

2. Client's Desires. Traditionally, taxes have driven the estate planning process. The Family Incentive Trust reverses this process. The client's desire to leave a legacy for future generations drives the process, with the tax structure being developed around the client's desires.