AlaskaUSA

TrustNotes

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Managing assets after retirement

By the time many individuals retire, they have acquired a sizable investment portfolio – stocks, bonds, mutual fund shares, real estate, a tax-deferred fund, shares in a closely held business, etc. While such assets can provide a financially comfortable retirement, they may also mean a considerable management challenge.

For that reason, an individual nearing retirement should consider how to best manage his or her finances in the future. This is a question that cannot ignore the long-term possibility of declining health. Financial management that may be no problem for someone under age 70 could become increasingly difficult in later years.

From a happier perspective, many retirees travel frequently and may divide their year between two homes. Such travel can complicate making investment decisions and cause costly delays. Financial affairs may also demand more time and energy than a retiree cares to give them.

The Professional Management Option

Many retirees resolve the question of financial management by using a professional manager to manage their assets. This can be done through a simple investment management arrangement. A Living Trust is another good option. With a Living Trust, an individual gives a professional trustee the responsibility for management of any assets that are placed in the trust. If the trust is revocable, the grantor (retiree) can cancel or change it at any time and for any reason.

Living Trust Advantages

A Living Trust provides for a trustee to manage the assets that are placed in the trust, yet the retiree can retain overall financial control. As the trust's beneficiary, the retiree continues to receive income from the trust assets. The trustee is responsible for investing the trust assets and for all record keeping. The trustee also manages the trust assets no matter what the state of the retiree's health or how available the retiree may be.

The Living Trust document specifies the terms of the trustee's management responsibility. The trustee may have full responsibility to follow the overall investment goals that the retiree establishes for the trust. Alternatively, the retiree can remain more closely involved as co-trustee and make final decisions on investments. With a co-trustee arrangement, the professional co-trustee can take full responsibility quickly if the retiree becomes disabled or seriously ill.

A Living Trust may specify that the trust's assets pass directly to a successor beneficiary after the retiree's death. The successor beneficiary is often the retiree's spouse, but it can be anyone the retiree names. The retiree can also specify that the trustee continue

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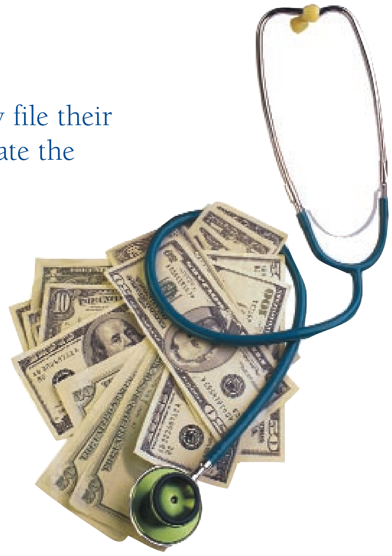
Tax issues

Transferring assets to a Living Trust essentially doesn't change anything for tax purposes. The income of a Living Trust is taxed directly to the grantor during the grantor's lifetime. Additionally, the value of the trust assets must be included in the grantor's gross estate. Thus, while there are several advantages to creating a Living Trust, saving taxes is generally not one of them.

Annual financial checkup

Many people wait until they file their income tax returns to evaluate the preceding year's finances and plan for the next. Planning should really begin much sooner, before year-end. This will give you plenty of time to analyze where you are and to plan for what you hope to achieve. A checklist of questions might help.



1. **What are your financial goals?** Itemize what you have presently, what you need for the year ahead, and what you hope to have ten, twenty, or thirty years in the future.
2. **Over the past year, have you made progress toward achieving your goals?** Compare the performance of your investments to the goals you've established with regard to those investments for the year. The results of this analysis will help you decide whether or not you should alter your investments.
3. **Are any changes about to occur that will affect either your immediate needs or your long-term goals?** A job change, for example, may alter your income and your lifestyle. Other circumstances that may affect your finances might include buying a new house, financing an education, or paying for a wedding. Planning at least a year in advance will help you to adjust to these changes financially.
4. **What can you do to minimize your taxes?** A general rule for tax purposes is to defer income to the next year while accelerating deductions for the present year. To defer income, you might postpone selling assets or collecting bonuses. To accelerate deductions, you might double up on your charitable contributions or contribute to an IRA.
5. **Do you need any additional help to implement your plans for the future?** An attorney, an accountant, or a trust officer can be a tremendous help. If you're not progressing as you would like, or if you find you don't have the time to manage your money properly, you might consider professional asset management. It could be the one investment that makes all the difference. Contact Alaska USA Trust Company for more information.

Round out your portfolio

Alaska USA Trust Company can help you choose from several alternatives to support your investment goals:

Fixed Annuities: For a guaranteed rate of interest over a specific time period – and the benefit of tax-deferral on your interest.

Managed Investment Accounts: Build a mutual fund portfolio that's right for you. No commissions. No per-transaction fees.

Separately Managed Accounts: Include individualized stocks and bonds in your portfolio and let Alaska USA Trust Company take care of them for you.

Self-Directed Investment Accounts: You decide what's best for you — choose from a range of aggressive growth to conservative income mutual funds.

Individual Retirement Accounts (IRA): Invest your IRA assets in mutual funds. Establish a new IRA, or roll over a current IRA, 401(k), or other qualified plan assets.

Custodial Accounts for Minors: Invest funds on behalf of a child. These accounts offer many of the advantages of a personal trust, without the cost or complexity.

For more information call Alaska USA Trust Company or log on to www.alaskausatrust.com.

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managing the trust assets during the life of a surviving spouse.

For more information about Living Trusts and professional management of investments, contact Alaska USA Trust Company. We are available to answer your questions and find a solution right for you.

Benefits a Living Trust can provide:

- **Professional asset management**
- **Asset management during periods of disability**
- **Asset management for beneficiaries after the grantor's death**
- **Privacy – unlike wills, trusts are not public record**