

Trust Notes

FROM ALASKA USA TRUST COMPANY

Protect your assets with a QTIP trust

When his father died, Jack was worried about how his mother would handle being alone. So he was happy for her when she remarried a few years later. However, when she eventually passed away, Jack was shocked to learn that not only had he lost his mother, but also most of his inheritance.

Jack's father could have avoided this outcome, provided for his wife, and preserved his son's inheritance with a qualified terminable interest property (QTIP) trust.

QTIP basics

Setting up a QTIP trust ensures that your assets will eventually go to the individuals you choose as beneficiaries. That's because you don't

leave everything outright to your spouse. When you put your assets in a QTIP trust, a trustee, such as Alaska USA Trust Company, holds and invests the assets as you have stipulated. Your spouse gets a lifetime income and after he or she dies, your children receive the trust principal. The result will be the same even if your spouse remarries, drafts a new will, or experiences investment losses.

Benefits

A QTIP trust is ideal during today's complicated age of multiple marriages and blended families. It retains your control of how your assets are ultimately dispersed – which is helpful in situations such as a remarriage involving children from a former marriage.

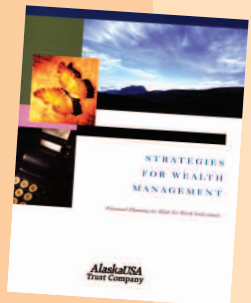
Experience is essential

A problem-free QTIP trust requires an experienced professional trustee that can manage the trust for your surviving spouse and children in accordance with your wishes. Call the Trust Company to learn more about using a QTIP trust to protect your family members' interests.



Resources for you

Alaska USA Trust Company offers a variety of educational resources for its clients, like this booklet on wealth management strategies for high net worth individuals.



It covers topics such as estate plans, charitable contributions, retirement accounts, insurance needs and income tax reduction. Call the Trust Company today for your copy.

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Strategic planning can save on taxes

You can greatly reduce federal gift and estate tax on your assets by taking advantage of a variety of trusts. Here are a few examples:

Using two trusts

Tax law lets any surviving U.S. citizen spouse avoid all estate tax on any amount inherited from a deceased spouse. However, taxes may be due later – after the surviving spouse's death.



But with some strategic estate planning and the right trust accounts, you can save more on taxes overall.

It's simple. In your will, you establish two trusts and divide your estate between them. Each trust pays your surviving spouse a lifetime income. One part of your estate is placed in a marital trust that qualifies for the unlimited marital deduction. The second part is placed in a residuary trust that takes advantage of the estate tax exemptions available under current law. The result? The entire estate escapes taxation, just as it would if the marital deduction were used alone.

Without the trusts, all of the surviving spouse's assets would be taxable upon death except for the amount protected by that spouse's own exemption. With the two-trust arrangement, none of the assets

in the residuary trust are taxable, and the spouse's maximum estate tax credit still shields part or all of the assets in the marital trust.

Charitable gifts

Donations bequeathed by will to a tax-qualified charitable organization are fully deductible on an estate-tax return. But you may do better by establishing a charitable remainder trust during your lifetime to generate a stream of income and a large, immediate income-tax deduction. Your trustee can hold the gift assets for your life (or a term of up to 20 years) while paying an income to you or other beneficiaries you name. The charity receives the assets at the end of the trust's term.

Using trusts as part of your tax plan is a wise strategy. Consult with your attorney and tax professional to identify which tax strategies are appropriate for your situation, then contact Alaska USA Trust Company to be your trustee.

Estate tax repeal

Even though the estate tax is scheduled for repeal in 2010, larger estates still need to deal with estate-tax planning until the repeal takes place. And the repeal will last only one year. Unless Congress acts, the pre-2001 tax act rules will return in 2011.

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