

# Trust Notes

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## Do I need a living trust?

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One of the most common questions clients ask of estate planning attorneys is, "Do I need a trust?" Understanding what a living trust is and how it works can help you decide whether a trust is the right planning tool for you.

### How a living trust works

A living trust allows you to control your financial affairs while you are alive and well and then transfers control to a trustee when you die or become disabled. Because a living trust is revocable, you may change it at any time. During your lifetime you serve as trustmaker, trustee and beneficiary of your trust. Married couples can establish a joint living trust or separate living trusts as circumstances require. Upon your death or disability a trust company or family member that you name as successor trustee will take authority over your financial affairs. A properly drafted and funded living trust can avoid probate and efficiently pass control as you have directed.

### When to consider a living trust

Estate planning issues that may favor the use of a revocable living trust include:

- A desire to limit or avoid probate proceedings
- Real estate owned in more than one state
- An estate subject to estate taxes (over \$2 million in 2006)
- Concern that you may need help managing your financial affairs
- Children with special issues: medical, money management, creditors, drug and alcohol abuse, or at-risk marriages
- A blended family
- Family heritage property you want to preserve for future generations
- Concern about protecting your spouse's or child's inheritance

### One size doesn't fit all

No estate planning strategy is right for everyone, but a revocable living trust can solve many common estate planning problems. It is important to consult with a qualified estate planning attorney for help making the right decisions for you and your family.

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*Alaska USA Trust Company works with attorneys throughout Alaska and the U.S. to provide professional trustee services. For more information about services available from Alaska USA Trust, call 562-6544 or (888) 628-4567 outside Anchorage.*

### Passing authority over financial affairs

There are many ways to give someone else authority over your financial affairs. However, not all of these options carry the benefits of a revocable living trust.

**Power of attorney** – can authorize others to act for you while you are alive, but is not valid after death.

**Will** – passes authority to your personal representative (executor) upon your death, but must be submitted to a probate court before it is effective. Many people want to avoid the time, expense and public nature of the probate process.

**Joint titling of assets** – can avoid probate, but you give up control to your co-owner, which often results in unintended heirs, unequal distribution of assets, and family conflict.

# Leading economic indicators

Leading economic indicators are like road signs, pointing to what lies ahead for the economy. Understanding these indicators can give you a good picture of the current marketplace.

**Consumer Price Index (CPI)** – an index of the cost of basics like food, housing, transportation, apparel, medical care, and entertainment. A rising CPI signals higher inflation. When inflation is high, each dollar will buy fewer goods and services.



**Unemployment Rate** – the monthly rise or fall in unemployment. Lower unemployment is usually good news for the economy because more people are working and earning and spending money.

**Job Growth** – measurement of the number of new jobs. A strong increase in the number of new jobs indicates an expanding economy and tends to boost consumer confidence.

**Consumer Confidence Index (CCI)** – an index of consumers' perceptions about the economy and their spending plans. When consumers feel confident, they tend to spend and invest more of their money. When nervous, consumers tend to hold off on making major purchases.

**Housing Starts** – number of new houses, condos, and apartment buildings. Low housing starts could indicate that the economy is slowing down.

**Gross Domestic Product (GDP)** – total value of all the finished goods and services produced within the United States. A flat or shrinking GDP suggests recession may lie ahead, while a rapidly growing GDP raises fears of inflation. Moderate growth, however, suggests a stable economy.

## Staying on Track

While it's beneficial to understand the leading economic indicators, it can be distracting to the long-term investor. The best tactic is to make sure you have a set plan and then to stay on track. One option is to open a managed investment account with Alaska USA Trust Company. Professional management of your assets will help you keep an eye on your destination, no matter how many twists and turns are ahead for the economy.

## Converting to a Roth IRA

Many investors enjoy the flexibility of a Roth IRA. And now, investors who weren't formerly eligible may be able to convert a traditional IRA into a Roth IRA.

### Benefits of Roth IRAs

- No minimum distribution requirements
- Can leave money in your account or pass it on to heirs
- Withdraw contributions at any time without penalty
- Withdraw earnings tax free if you've owned the account for five years and are at least 59½.

### Are you eligible to convert?

If your modified adjusted gross income (MAGI) for the year is \$100,000 or less, you may be eligible. A new rule may help out: If you've been receiving regular IRA required minimum distributions that put you over the \$100,000 threshold, those minimums no longer count.

**Have an existing traditional IRA that you would like to convert or roll over? Call Alaska USA Trust Company to find out about managed Roth IRAs.**

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