

QTIP Trusts

Like many married individuals, you may want your estate to provide for both your surviving spouse and your children. However, if you leave all your property to your spouse outright, it's possible that your children won't receive the assets you want them to have. A special kind of trust, called a qualified terminable interest property (QTIP) trust, is a very effective planning tool designed to provide a lifetime income for your surviving spouse and preserve assets for your children's benefit no matter how marital or other family situations may change over the years.

Potential Tax Benefits

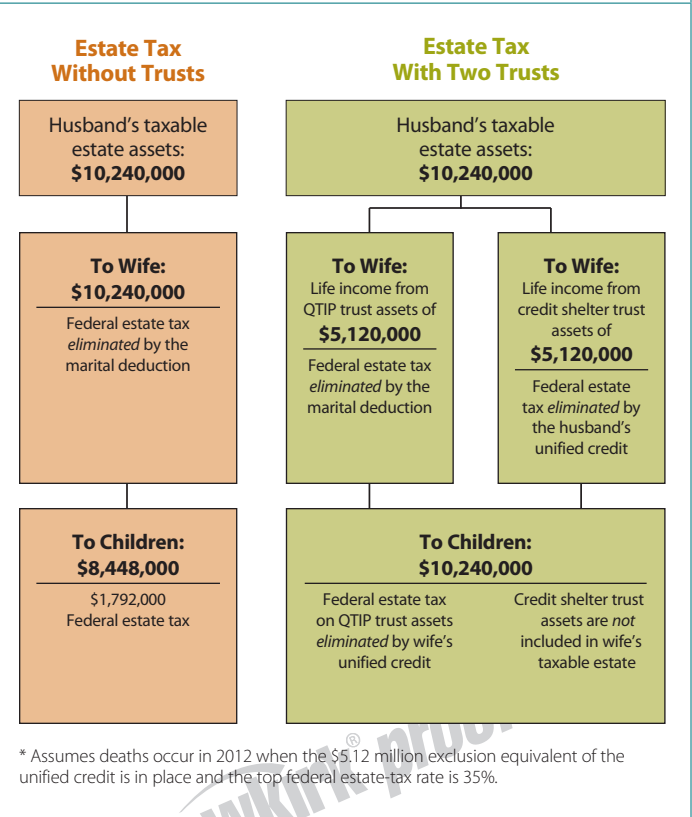
You also should not overlook the issue of estate taxes when you are planning your estate. With a properly structured QTIP trust, your estate can take advantage of the federal estate-tax marital deduction for property that passes between spouses. Because of the deduction, the QTIP trust property will not be included in your taxable estate. Any estate taxes that may be due on the property will be delayed until your spouse's death.

Your estate will be able to claim the marital deduction for the assets that pass to your QTIP trust provided that:

- Your spouse is entitled to all the income from the trust property, payable at least annually, for his or her life.
- No one has the power to transfer the trust property to anyone except your spouse during his or her life.
- Your executor (or personal representative) elects on your estate-tax return to have the trust property qualify for the deduction.

Combining your QTIP trust with a second trust — often referred to as a credit shelter trust — can help reduce the bite of estate taxes on your spouse's estate. You can see from this example how this strategy works.

ESTATE-TAX SAVINGS USING QTIP AND CREDIT SHELTER TRUSTS*



continued

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It may be possible to achieve the same estate-tax savings without the use of a credit shelter trust by electing to carry over the unused credit of a spouse who dies in 2011 or 2012 to the second spouse's estate. However, since this portability provision is only temporary under current law — and the trust strategy offers additional benefits — you may decide that including a credit shelter trust in your estate plan is a wise precaution.

Three QTIP Trust Solutions

A QTIP trust can be used to resolve a variety of difficult issues.

Remarriage. If you have children from a prior marriage, can you be certain that your current spouse will respect your wishes regarding the disposition of your assets? Without proper planning, your children could lose out. With a QTIP trust, you can ensure that your children receive family heirlooms and whatever other property you want them to have.

Fairness. Does one of your children lack money management skills? If so, you may be concerned that frequent calls for financial help will result in your financially challenged child receiving more than his or her fair share of your estate. You would like to be certain that *all* of your beneficiaries receive what you intend them to receive. A QTIP trust can help you achieve this goal. Your spouse will receive a lifetime income, and when your spouse dies, your trust assets will be distributed exactly as you've instructed.

Asset Management. Some individuals have little experience or interest in financial matters. That inexperience may lead them to make unwise investment and spending decisions with the money left to them upon the deaths of their spouses. If this is a concern of yours, a QTIP trust managed by a professional asset manager can minimize your worries. This arrangement can ensure that your spouse will have sufficient income to live comfortably while the trust assets are managed in a prudent and professional manner.

A Skilled Trustee Is Essential

If you decide to create a QTIP trust, give careful thought to your choice of trustee. A skilled, professional trustee with experience in investment management and all the other aspects of trust administration can be crucial to the success of your trust.

Would you like to learn more about QTIP trusts? Take some time to discuss the details with your professional advisors. They can help you determine whether a QTIP trust would be appropriate for your personal situation.

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