

“Like weather, one’s fortune may change by evening.”  
Chinese Proverb

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## Dynasty Trusts 101

In recent years, the term ‘dynasty trust’ has become an increasingly popular topic both at cocktail parties and amongst estate planning attorneys. In a time when taxes, lawsuits, and divorces appear to be on the rise, the dynasty trust has become a safe harbor for individuals looking to preserve and protect their wealth for future generations. Fortunately, for those people looking to preserve their wealth, the enactment of the 2010 Tax Relief, Unemployment Insurance and Job Creation Act (the “Act”) has created an opportunity for the creation of dynasty trusts on ‘steroids.’ Unfortunately, like all good things, the favorable tax provisions under the Act are set to expire at the end of 2012.

**What is a Dynasty Trust?** A dynasty trust is simply a multigenerational or perpetual trust. Put another way, it is a trust that continues, potentially forever, if desired, for the benefit of its beneficiaries.

**Why create a Dynasty Trust?** The reasons for creating a dynasty trust are many but the major reasons are typically related to tax and asset protection. The tax benefits stem from the fact that wealth transfer taxes are only paid once, if at all, and are not passed down to subsequent generations. Additional asset protection benefits include limiting creditors or a divorcing spouse’s ability to reach the trust funds as well as reducing the likelihood of the trust funds being depleted by a lawsuit.

**How does a Dynasty Trust work?** A dynasty trust works by allowing the trust corpus (the assets held inside the trust) to grow income tax free and estate tax free. As a result, the trust corpus has the potential to grow more rapidly when compared to other wealth transfer strategies.

**Why Planning Before 2013 is Important?** Under the Act, a husband and wife can transfer 400% more gift tax free into their dynasty trust in 2012 than they will be able to transfer in 2013. Further, since that money is out of their estate, for tax purposes, gift, income and estate taxes can be avoided on the assets held in the dynasty trust.

### **About the Author** **Scott F. Burns, Esq.**

Scott F. Burns, Esq. is an Arizona attorney whose clientele includes professional athletes, business owners, and multigenerational families desirous of protecting their personal and professional legacies through the use of asset protection strategies, estate planning and business consulting.

For Additional Information  
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