

CHECKLIST

Questions for beneficiaries to ask about a trust



Questions to ask your parents: Having conversations about your parents' estate plans may feel uncomfortable, but here's the truth: doing so can give you the knowledge you need to plan your financial future. When you find out you will be the beneficiary of a trust, it's in your best interest to ask questions so you can understand the process and your specific responsibilities. Here are some questions to discuss with your parents:

What were your intentions in creating this trust?

- ☐ Ask why this trust was set up. What are your parents' hopes for how this money will be used?

How do you think this trust will impact me?

- ☐ Determine the role this trust will play in your financial future, based on its intended use. Find out if speaking with a financial planner may also be useful to map out a financial future that's not solely dependent on the assets in the trust.

Who else has access to the trust?

- ☐ Are there other beneficiaries that will have access to this trust? If you have siblings, ask how they will benefit from the trust and what their role will be in the trust process.

What is your relationship with the trustee and/or trust administrator?

- ☐ Find out if there are different parties managing and administering the trust. For example, the trustee may be one or more individuals; a corporate fiduciary; or some combination thereof. Find out who will play each role.

How can I work with the trustee or the trust administrator?

- ☐ See if you can meet with your parents and the trustee(s) who will be responsible for the trust upon your parents incapacity or passing. Having a good relationship with the future trustee(s) will help for years to come.

Questions to ask the trustee and/or trust administrator: You'll want to know if the trustee will perform all functions associated with trust administration, including investment management, or if there will be other service providers involved (such as investment managers and tax return preparers). You can review this with the trustee or the trust administrator. It's important to remember that they are there to help you understand the terms of the trust. View them as your ally and feel free to ask questions that help you feel better informed and knowledgeable. Here are some questions you can ask:

What is the bank's role as a trustee?

- ☐ If you are new to the trust process, ask for some background information on how banks function as trustees. What will the trustee's responsibilities include? What will your relationship look like?

When can I access what's in the trust?

- ☐ Find out what you are entitled to within the trust. Distribution of trust assets to beneficiaries aren't the same as taking money out of a bank account; there are usually provisions and rules around the distribution.

What are the rules associated with the trust?

- ☐ There are often specific provisions around when the assets within a trust can be distributed. For example: are there age provisions? This would mean that you receive assets only at specific ages.

If I request assets, is it mandatory that you distribute them to me?

- ☐ Ask the trustee if there are mandatory distribution provisions, or if distribution is solely at their discretion.

What laws or other factors are considered when distributing assets within the trust?

- ☐ When distribution is left to the discretion of the trustee, what factors do they consider before making their decision?

What sort of information do you need from me—along with my distribution request—to make a decision to distribute funds to me?

- ☐ Find out what background information the trustee will need if and when you make a distribution request.

Are trust distributions taxable to the beneficiary?

- ☐ The trustee will have to file a tax return for an irrevocable trust (Form 1041). Many times the trust will either pay its own taxes or—if distributions of income are made to you as the beneficiary—that income is passed out and you pay the income tax on it. Sometimes you will be responsible for some of the capital gains incurred during the year, depending on if you received any principal distributions. Some trusts are also subject to generation-skipping tax, or GST, while others are exempt.

What information do you share about me with other beneficiaries? What details can I receive about the other beneficiaries from you?

- ☐ Ask the trustee how they plan on sharing information internally about your relationship to the trust. You may also want to know what details you are entitled to about other beneficiaries of the trust.

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