



THE ADVANTAGES OF DELAWARE TRUSTS

Delaware is rapidly becoming the jurisdiction of choice for sophisticated trusts and estate plans.

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Why Delaware? The State of Delaware's favorable corporate laws and internationally recognized Court of Chancery have helped make Delaware the leading jurisdiction of choice among professional advisors. Delaware is also a trust-friendly jurisdiction which offers individuals and entities outside of Delaware the ability to create a wide range of trusts, including asset protection trusts, dynasty trusts, and income tax advantaged trusts.

The Delaware Advantage. Hilliard Lyons Trust Company, LLC can work with you and your professional advisors to design a plan to take advantage of the unique opportunities that a properly drafted and administered Delaware trust can offer. Some states have recently updated their trust laws so they can provide advantages similar to those available in Delaware, however, Delaware remains the favored jurisdiction for sophisticated trust planning including:

- Protection of assets from the claims of creditor and predators
- Use as an alternative to a prenuptial agreement
- Minimize state income taxes and capital gains on trust taxes in certain jurisdictions
- Minimize state capital gain on sale of a business in certain jurisdictions
- Transfer wealth to future generations via dynasty trusts
- Maintain family and financial privacy
- Conversion to total return trusts to optimize investment performance

Hilliard Lyons Trust Company as investment manager has chosen to partner with Commonwealth Trust Company, an independent Delaware trust company which provides administrative and fiduciary services. Hilliard Lyons Trust Company is pleased to help our clients explore personalized solutions with the Delaware Advantage. Due to legal complexities, Delaware trusts are often better suited for trusts with more than \$5 million in assets under management.

Asset Protection Trusts

- Protect assets from claims of future creditors
- Protection feature may be added to other types of Delaware trusts
- Alternative or supplement to a prenuptial agreement
- Professionals, business owners and executives, celebrities, athletes and high-profile individuals may benefit



Tax Advantaged Trusts

- Minimize state income taxes and capital gains paid by trusts
- Minimize state capital gains on the sale of a business or concentrated stock position
- Tax saving feature may be added to other types of Delaware trusts
- Non-Delaware residents who live in certain states may benefit from this type of trust

Dynasty Trusts

- Maximize the lifetime of a trust for the benefit of multiple future generations
- Minimize federal wealth transfer taxes (including generation-skipping transfer taxes)
- Preserve and protect substantial family wealth and special assets, such as a family business

Direction Trusts

- Delaware law permits the creation of a trust in which certain duties and responsibilities traditionally assigned to the trustee are delegated to someone chosen by the grantor
- Investment decisions may be allocated to an investment advisor, who in many cases may be the creator of the trust
- Distribution decisions may be allocated to a distribution advisor or committee of individuals selected by the creator of the trust
- A trustee who relies on the direction of an advisor will not be liable for doing so except in the case of willful misconduct

Total Return Trusts

- Delaware, like other states, permits the conversion of a trust that distributes net income only into a total return unitrust trust that distributes a fixed percentage (typically 3-5%) based upon the trust's total market value to the current income beneficiaries in lieu of the net-income only payment
- Helps minimize potential conflict between current income beneficiaries who desire more income producing assets (such as bonds) vs. remainder beneficiaries who desire high-growth assets (such as no-or low-dividend yielding stocks)
- Allows more efficient investment of trust assets with the goal of producing overall greater total market value
- Provides greater certainty to income beneficiaries of the amount of the regular trust distributions
- Moving a trust which is not subject to the generation skipping transfer (GST) tax to Delaware prior to converting it to a total return trust can help ensure that the trust retains its grandfathered GST exempt status

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