

THE Delaware Advantage

- ☑ Delaware law allows the formation of asset protection trusts which shield assets from certain classes of creditors and allow the settlor of the trust to remain a potential beneficiary.
- ☑ There is no Delaware income tax on ordinary income or capital gains accumulated or distributed to non-resident beneficiaries.
- ☑ There are no Delaware intangible personal property taxes.
- ☑ Delaware allows the creation of dynasty trusts which can last indefinitely without imposition of additional estate or gift taxes.
- ☑ Trust accounting rules are streamlined and may be eliminated if the settlor so desires.
- ☑ Delaware law recognizes spendthrift trusts and provides virtually complete protection from claims of creditors for a trust beneficiary, especially if the trustee is a Delaware bank or trust company.
- ☑ Delaware does not require trust agreements to be filed or recorded, and if they are subject to litigation, the Chancery Court has been willing to place the court record under seal.
- ☑ Delaware permits the settlor of a trust to limit the number of beneficiaries who are to receive notice of the trust, both during the settlor's lifetime and after his or her death.
- ☑ Delaware permits the settlor of the trust to establish his or her own investment policy in the trust instrument, and permits the use of investment advisors of their own choice to advise the trustee without breaching the trustee's fiduciary responsibility.
- ☑ The Chancery Court has a history of seeking to determine the settlor's wishes and the settlor's intention, as demonstrated in the trust instrument.
- ☑ Delaware law permits decanting.

Commonwealth Trust Company

*An Independent Delaware Trust Company
Established in 1931*

29 Bancroft Mills Road, 2nd Floor
Wilmington, DE 19806

www.comtrst.com

Email: ctc@comtrst.com

Phone: (302) 658-7214 • Fax: (302) 658-7219

About Commonwealth Trust Company

Commonwealth Trust Company is a non-depository trust company that serves as Corporate Trustee for various types of Delaware situs trusts including:

- ☑ The Delaware Dynasty Trust
- ☑ The Delaware Asset Protection Trust
- ☑ Life Insurance Trusts
- ☑ GRATS
- ☑ Charitable Trusts

What makes our service unique is that we only perform trust administration, offering you the resource needed to take advantage of Delaware trust law while working with your current trusted advisors and never replacing them.

Since we only perform administrative services and do not provide investment services, our structure permits you to use your existing investment advisor. Delaware law also permits you to use a distribution advisor and a trust protector of your choosing.

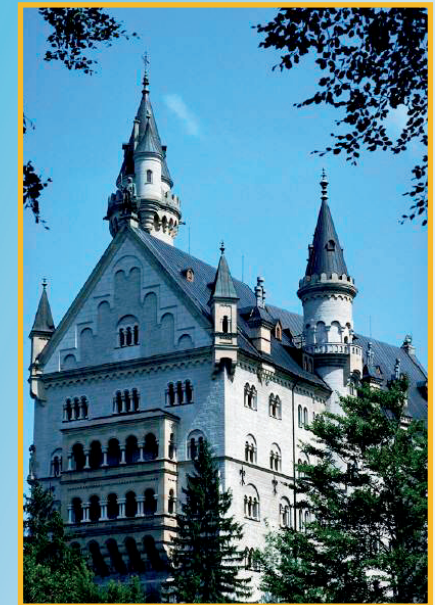
We are professional trust administrators with a well trained, responsive staff. Our goal is to provide our clients with the best service experience.

With our staff of highly skilled professionals, Commonwealth Trust Company offers you and your client experience and integrity. We have been engaged in trust services for over 75 years gaining extensive expertise in business and fiduciary matters. You will benefit from our expertise and will find we respond quickly and efficiently to all trust matters.

Commonwealth Trust Company

Engaged In Trust Administration Since 1931

The Delaware Dynasty Trust



Benefits of Delaware Trust Law

How to Take Advantage of Delaware Trust Laws

Corporate Versus Individual Trustees

(302) 658-7214

An Independent Delaware Trust Company
Established in 1931

The Typical Trust Structure. Delaware law permits the appointment of investment advisors (the advisor may even be the settlor of the trust), trust protectors and distribution advisors, none of whom are required to be residents of Delaware, so long as a Delaware trust company is serving as trustee. Commonwealth Trust Company, as your independent trustee, requires only that you utilize an independent investment advisor.

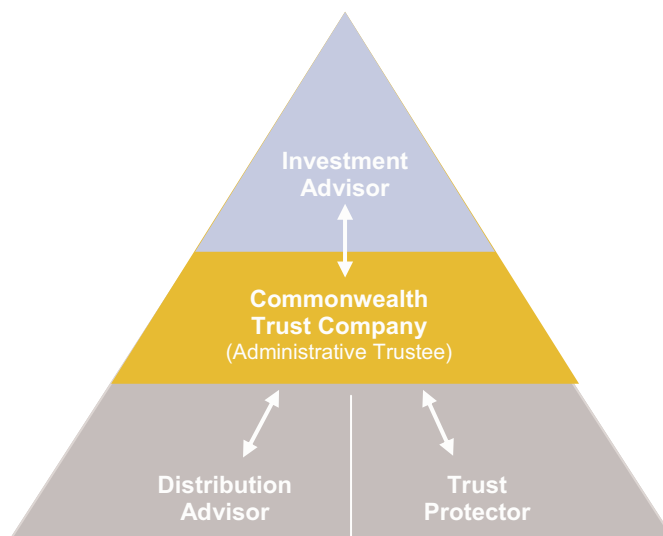
Reasons to Consider the Delaware Dynasty Trust

Historically, wealthy families such as the Rockefellers, DuPonts, and Fords transferred their wealth to future generations without paying estate or death taxes through the use of family trusts, which became known as dynasty trusts. In most states, the duration of a dynasty trust was limited by the rule against perpetuities which prohibits a trust from continuing beyond twenty-one years after the death of the last survivor of a class of persons related to the settlor of the trust. Under the rule against perpetuities, it was difficult to have a trust last for more than one hundred to one hundred and ten years; however, this trust permitted funds placed in such trusts to escape tax for three or four generations. Dynasty trusts typically had provisions which would provide that all income would be paid to the beneficiary and the principal would be paid at the direction of the trustee. In some of these trusts, the beneficiary could also direct, with certain minor limitations, how the trust property passed in trust at death among his or her spouse and descendants. At the death of the initial beneficiary, there were no death taxes, and the corpus of the trust passed to children or other family members in accordance with the settlor's wishes. In effect, these trusts provided each descendant virtual ownership without his or her death affecting taxes or control of the trust corpus. It allowed wealthy American families to avoid death taxes for many generations and enabled them to build trust assets without reduction for each generation's death taxes.

In light of the changes brought about by recent tax reforms, many estate planners are unsure of a particular approach to take when planning for generation-skipping transfers. It may be advantageous to have your clients use a portion of their generation-skipping tax exemption to fund a Delaware Dynasty Trust. To avoid current gift taxes, a couple may wish to use only their maximum combined gift tax exemption.

Once the generation-skipping tax exemption's is allocated, any appreciation in the value of the assets, including accumulated income, will not be subject to generation-skipping tax upon distribution from the trust. Given the advantages of compounding, a successfully invested trust can accumulate to hundreds of millions of dollars, which can be made available to future generations, undiminished by estate and generation-skipping taxes.

A dynasty trust may be initiated during the settlor's lifetime or upon death. The advantage of using the generation-skipping tax exemption may be greater during the settlor's lifetime. Once property is transferred to a dynasty trust, until the settlor's death, all appreciation and accumulated income generated by the property will be exempt from estate tax as long as it remains in the trust. Lifetime funding of a dynasty trust may have additional benefits as well. Since the trust is irrevocable, future changes in the estate tax law should not affect it, as those benefits cannot be eliminated if the generation-skipping tax exemption is not continued in the future.



**This information is not meant to convey legal or tax advice. You should contact the appropriate advisor on these matters.*

To provide an example of the power of a dynasty trust, \$2,000,000 placed in a dynasty trust today at seven percent creates \$64,000,000 in 50 years. Most dynasty trusts are typically structured to continue in existence for the maximum period of time permitted under the applicable state law in which the trust is located. Although most states continue to operate under the rule against perpetuities, a Delaware trust, with Commonwealth Trust Company as Trustee, would be exempt from the rule against perpetuities for personal property, which means that a dynasty trust initiated today could go on indefinitely. Although Delaware law does impose the rule against perpetuities as to real estate, real property held in an entity such as a Limited Partnership or an LLC would not be subject to the rule and thus may also benefit from placement in a dynasty trust.

The changes brought about by various tax reforms necessitates a review of one's current plan and the exercise of due care when making modifications to that plan. Despite the uncertainty surrounding the estate, gift, and generation-skipping taxes, the Delaware Dynasty Trust remains an attractive planning tool when one desires to protect family assets while leaving an abundant legacy to one's heirs, all the while minimizing the likelihood of that legacy being diminished by the estate, gift, generation-skipping, or income taxes.

When Considering a Corporate Trustee, Consider Commonwealth Trust Company
*An Independent Delaware Trust Company
Established in 1931*

(302) 658-7214