

# News You Can Use

Tools for Corporate Executives

## **Improving the Situation: Family Trusts**

Questions arise between generations about how much income to pay out each year from Family trusts is getting easier by embracing a revolutionary way of making distributions. The approach, known as a unitrust, calls for paying out to current beneficiaries a fixed portion of the trust's market value each year, where as traditional trusts will pay out all income generated during the year. The unitrust not only produces annual income but is a way to invest wisely in the long-run.

Traditional trusts distributes income to one person or group of people, which normally generates tension between the income beneficiaries and the remainder beneficiaries. The unitrust would allow all beneficiaries to receive a percentage of the income with the remaining income added to the capital. In other words, a unitrust helps align the interests of current and future beneficiaries.

However, unitrusts aren't for everyone. In an up market, they sound like a great idea, but in a down market, there's increasing risk of eating into the principal. A unitrust may be useful just to help settle an issue between beneficiaries.