

Typical Family Trust

Dated October 6, 2005

(Trust Status after the First Spouse Dies)

Decedent's SP + 1/2 CP

Unified Credit Trust

2005 Unified Credit Trust—
Decedent's Trust
Federal ID# 99-9999999

- ◆ Survivor, Trustee
- ◆ Children=Suc. Trustee (Jt)
- ◆ Ordinary Income to Survivor for Life
- ◆ Remainder to Children at Survivor's Death
- ◆ Power to Invade Limited—only available after exhaustion of personal and Marital Deduction Trust assets
- ◆ No Estate Tax at Survivor's Death
- ◆ Carry Over Basis to Heirs
- ◆ Annual Trust Tax Return Required (Form 1041/541)

Trust Assets/Liabilities

- [Assets with FMV of \$1,500,000 at first to die's date of death (preferably assets that will appreciate)]

Marital Deduction Trust

2005 Marital Deduction Trust
Federal ID# 88-8888888

- ◆ Survivor, Trustee
- ◆ Children=Suc. Trustee (Jt)
- ◆ Ordinary Income to Survivor for Life
- ◆ Power to Invade for support, health maintenance, or living standard (broad power)
- ◆ Remainder to Children by Right of Representation
- ◆ Taxable in Survivor's Estate at his/her Death
- ◆ Annual Trust Tax Return Required (Form 1041/541)

Trust Assets/Liabilities

- [Remaining community property + SP assets of first spouse to die]

Survivor's SP + 1/2 CP

Survivor's Trust

2005 Survivor's Trust
Federal ID# (none)

- ◆ Survivor, Trustee
- ◆ Children=Suc. Trustee (Jt)
- ◆ Trust is Revocable by Survivor
- ◆ Income and Principle Belong to Survivor for Life
- ◆ Remainder as Survivor Appoints by Will, or to Children by Right of Representation
- ◆ Assets from Trust Income is Reported on Survivor's Individual Income Tax Return (Form 1040/540)

Trust Assets/Liabilities

- [One half of surviving spouse's assets]

Important Note Death of First Spouse to Die

Contact your attorney and accountant **as soon as possible** so that assets can be valued and placed in the appropriate trusts!

Note to Readers

This hypothetical example provides a general review of common trust provisions and assets to be held in each trust, and should not be relied upon as legal or tax advice.

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