We associate trusts with wealth, and we know people take money out of trusts. That leads many people to think that a trust is like a type of super bank account. But is that accurate?

Below, our McKinney trust attorney explains how a trust works. While trusts share some similarities with bank accounts, they are much more powerful and can encompass and accomplish much more.

How a Trust Works

A trust is a legal entity created to hold and manage property for others. Sometimes a trust attorney in McKinney will describe it as being a type of virtual container. Think of it like this: A trust is not a bank account, but it can hold bank accounts. A trust can hold all types of property, including real estate, stocks, collectibles, intellectual property and almost anything of value.

The person who creates a trust is often called the grantor because they grant their property into the trust. Once property is put into the trust, it is managed by the trustee. The trustee can be an individual person or a business like a bank. The trustee has a duty to manage the property prudently, but the trustee does not get to use or enjoy the benefits of the property. Instead, all the benefits from the property are supposed to go to the beneficiary.

The trust operates according to the terms of the trust agreement, and, of course, all applicable state and federal laws. Trusts can be set up in a variety of ways to accomplish different purposes.

Examples of Trusts in Action

Why would someone go to the trouble of setting up a trust? Usually, trusts are created to protect assets from some form of waste. The best way to understand may be to consider some examples.

A Trust Can Manage Funds for a Minor

Parents often incorporate trust provisions in their wills when they have minor children. If the parents pass away before their children are old enough to manage money, the trust would hold the assets they receive from their parents' estate, and a trustee would manage those funds on the child's behalf, distributing money as necessary or as specified in the terms of the trust agreement. Money might go out regularly for living expenses with the majority of funds reserved for college.

A Trust Can Be Used to Avoid Probate

One of the most popular types of trusts, revocable living trusts, are set up primarily to avoid the expenses and delays of probate. Typically, when someone creates a living trust, they also serve as the trustee and beneficiary. So they can manage their property and use it just as they did before. When they pass away, the property in the trust goes directly to alternate beneficiaries.

Other Uses of Trusts

A McKinney trust attorney can set up trusts can be created to do things such as:

Allow special needs individuals to enjoy benefits without losing public benefits

- Reduce estate taxes
- Protect assets from creditors
- Preserve assets while establishing eligibility for long-term care benefits
- Support charities while reducing tax liability

To accomplish their purpose, many types of trusts must be set up as irrevocable, but others can be changed or dismantled at any time.

Talk to a McKinney Trust Attorney to Find Out How a Trust Could Protect Your Assets

In recent years, estate planning attorneys have been using different types of trusts to meet a variety of client needs. If you are interested in saving your loved ones the headaches of probate or protecting loved ones or even pets, talk to a McKinney trust attorney at The Nordhaus Firm to learn how we could develop a trust to meet your goals.