'GIVE IT TWICE' TRUST

Saturday January 24, 2015
Crescendo

A very popular option for a parent with children is called the "Give It Twice" trust. This is a trust funded when the surviving parent passes away. Part of the estate is transferred outright to children. The balance is placed in a special "Give It Twice" trust.

The trust pays income to children for a term of years—usually 20 years. The income can be divided equally among the children for that period of time. Following the selected term of years, the trust principal is then transferred to charity.

In effect, the property has been used twice—once to benefit children with income and the second time to help charity at the end of the trust.

Cindy is a surviving spouse. Her spouse, Michael passed away four years ago. She is doing fine and combined both IRAs into one. Cindy's estate is now approximately $800,000. Her home, CDs and other property are valued at $400,000, and the combination of IRAs is also about $400,000.

She was reading online about the "Give It Twice" trust. Because Cindy is debt free and has Social Security plus pension income, she thinks that her estate, when she passes away, is likely to be fairly close to its current value. Cindy sat down with her attorney David, to discuss the possibility of creating a trust.

Cindy: "David, I was reading an article online about this special "Give It Twice" trust. It sounds like you can give an asset once to children through the income stream and then transfer the trust property to charity."

Attorney: "Yes, Cindy, that can be done."

Cindy: "Before Michael passed away, we talked about this. We agreed to treat each of our four children equally and also provide a benefit to our favorite charity."

Attorney: "With your estate of $800,000, you have the ability to do something pretty significant for both your family and favorite charity."

Cindy: "Yes, but there is one big problem. Our three older children—Bill, Sue and Pete—do fine. They are quite financially responsible. But our youngest son Ted is very creative. He spends money like water. If we gave him one-fourth of the estate or $200,000, I am afraid he would spend that very quickly. We need to figure out a way to protect at least part of his inheritance."

Attorney: "That 'Give It Twice' plan could be very helpful. You can benefit all four children equally with an initial amount. For example, you could transfer the $400,000 to them when you pass away. That would be $100,000 per child. The other $400,000 could go to the trust. They would each receive one-fourth of that income for 20 years. That would give Ted a chance to learn to save and invest. In addition, if you transfer the IRA into that trust, you can save all that income tax because the special trust is tax-exempt."

Cindy: "This sounds like a great plan. When I pass away, I could transfer my IRA into the "Give it Twice" trust and benefit my four children and my favorite charity. But how do I do that?"

Attorney: "I can write a trust that you sign. It's called an unfunded trust because there are no assets at present. Then we will contact your IRA custodian and select this charitable remainder trust as the designated beneficiary for your IRA. When you pass away, the IRA balance will be transferred to the trustee of your 'Give It Twice' trust."

Cindy: "This is very exciting. It is going to be great for my family and we will also be able to help our favorite charity after the term of years. I especially like the way that this will help Ted to learn to save and invest. Let's move forward as quickly as possible."