Ayana Legal

THE BUZZ

Monthly Newsletter By Team Ayana Legal

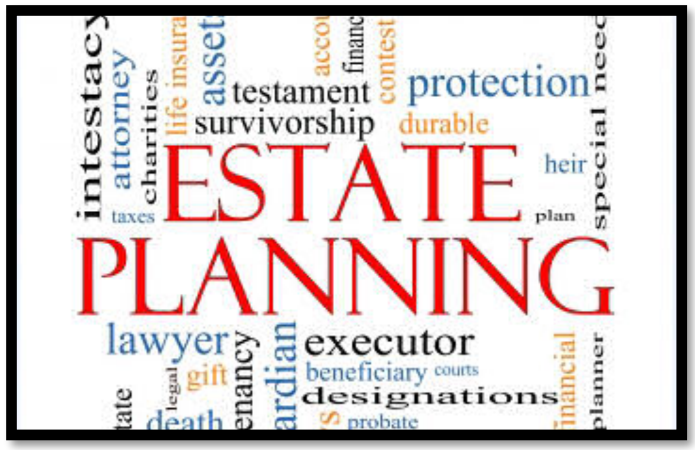
Will & Trust - Estate Planning Essentials

Wills and Trusts are both tools of Estate Planning. A will can be defined as "legal declaration of the intention of a testator with respect to his property which he desires to be carried into effect after his death."

A Trust is a fiduciary relationship in which the trustee holds the property for the benefit of the beneficiaries.

Requisites of a Valid Trust

- Intention of the author who wishes to create the trust.
- A lawful purpose for setting up the Trust
- Beneficiaries
- Transfer of possession of trust property



Corporate Estate Planning

Estate planning refers to the determination of how an individual's assets are to managed after the death of such person. Corporate Estate Management can be defined as the "value and success-oriented acquisition, handling and disposal of properties under use or possession of corporations."

The edition of Buzz discusses the various ways of Corporate Estate Management.

Writing Partnership Buy-Sell Agreements If The Business Has One Or More Co-Owners

In the event of death or incapacity of an owner a buy-sell agreement allows the remaining shareholders to buy the interest of the deceased owner in the business. Buy-sell agreements, or buyout agreements can be of 2 types:

a. Cross Purchase Agreement - When the remaining shareholders buy the interests of the deceased or incapacitated shareholder.

b. Redemption Agreements - When the interests of the deceased

Minimizing Tax Liability

One of the ways in which the estate tax liability can be reduced is through the setting up of GRATs i.e. Grantor Retained Annuity Trusts. They are irrevocable trusts set up for a specified period that hold assets which value is likely to appreciate over time. The grantor receives regular annuity payments from the trust. When the trust term expires the GRAT balance transfers to the beneficiaries without tax liability.

GRUTs i.e. Grantor Retained Unitrusts similar to GRATs are irrevocable trusts set up for a specified period. The grantor receives a fixed percentage of the trusts value annually and at the time of termination of the trust the beneficiaries receive the remaining assets. No tax is levied when the trust terminates.

Thank You

In these unpredictable times, we hope that you are taking care of yourself. Team Ayana Legal thanks you for the trust. Till we are back with our next edition, stay safe and keep smiling.

Disclaimer

shareholder is purchased by the company.

A buy-sell agreement consists of clauses like-

•Limiting the transfer of ownership interests (e.g.; Right of first refusal)

•Right to Buyouts (e.g.; when active owner retires/ active owner quits the company/ owner becomes disables/owner dies/ expulsion of owner)

•Payment terms (e.g.; Full cash/ Monthly installments/ Customized schedule for payment)

Setting Up An Irrevocable Life Insurance Trust

Most businesses lack liquidity to buy out the shares of someone who has passed. Therefore, this capital can come from purchasing life insurance or setting up an irrevocable life insurance trust. An irrevocable life insurance trust (ILIT) are constructed with the life insurance policies of the insured as the assets of the trust. On the death of the insured the proceeds are managed and distributed by the trustees. The ILIT is generally considered the both the owner and the beneficiary of the life insurance policies.

Creating A Living Trust

An ILIT is type of a living trust. A living trust essentially consists of details of how your assets are to be managed after your death. Hence, your assets are transferred to the trust you create, thereby doing away with the need for probate unlike when you have a will. A living trust can be irrevocable like an ILIT or revocable in nature. It also saves one from estate taxes, court and legal fees that would otherwise have to be paid in case of a will.

Establishing An Enduring Power of Attorney

An enduring power of attorney is an agreement that allows a person to appoint an individual who they trust to handle legal affairs, make financial or property decisions on their behalf. The benefit of an enduring power of attorney is that it will continue to operate even if the person dies or loses legal capacity (for e.g. due to mental illnesses.) Without an enduring power of attorney the court may appoint a guardian on behalf of the person.