HARGROVE FIRM
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INDIVIDUAL VS. JOINT TRUSTS:

A STRATEGIC CHOICE FOR MARRIED COUPLES

For married couples living in non-community property states, Hargove Firm typically recommends creating individual trusts over joint trusts. While joint trusts may appear simpler initially, separate trusts often provide significant advantages for administration, protection, and tax planning.

KEY BENEFITS OF SEPARATE TRUSTS

Streamlined Administration

- Clear separation of assets makes it simpler to administer the deceased spouse's trust
- No need to determine which assets belonged to which spouse
- Smoother transition for surviving spouse and trustees

Enhanced Asset Protection

- Each spouse's assets remain clearly separated from the other's
- Protection from individual creditors remains intact
- Reduces exposure to shared liability

Tax Advantages

- Clearer determination of step-up in basis at first death
- Easier implementation of tax planning strategies
- Simplified gift tax tracking

Clearer Record Keeping

- No tracking of spousal contributions needed
- Simplified accounting and asset management
- Reduced risk of asset mixing

COMMON CHALLENGES WITH JOINT TRUSTS

While joint trusts can work well in community property states, they often present challenges in separate property states:

- Difficulty tracking separate property contributions
- Potential gift tax complications between spouses
- Challenges in implementing credit shelter trust planning
- More complex administration at first death
- Potential issues with creditor protection

THE LIFETIME PROTECTION TRUST ADVANTAGE

Our trust planning includes Lifetime Protection Trust (LPT) provisions, which offer additional benefits:

- Enhanced asset protection for beneficiaries
- Protection from creditors and divorce
- Flexibility for future generations
- Tax advantages for inherited assets
- Preservation of family wealth

MAKING THE RIGHT CHOICE

While some clients may prefer to maintain their existing joint trusts, understanding these differences helps inform the best choice for your situation. We can work with you to either:

- Create new separate trusts
- Maintain and optimize your existing joint trust
- Amend current arrangements to better suit your needs

NEXT STEPS

Let's discuss which structure best serves your client's goals. Our team will review their current plan and recommend the most effective approach for their family's future.

(833) HARGROVE
support@hargrovefirm.com