

A trust is a legal entity created by a "grantor"—an individual who wishes to have the trust manage property on behalf of the trust beneficiaries. The "trustee" takes legal title to whatever property the grantor transfers to the trust, while the beneficiaries hold the equitable or beneficial title to the trust property. That means they are generally entitled to the income and/or principal of the trust.

The trustee, as legal titleholder, can exercise most of the usual rights over trust assets. For example, the trustee can usually invest or sell the assets. But trustees cannot act in their own interest; they must act in accordance with the trust terms and their fiduciary responsibilities to the trust beneficiaries.

The trust agreement should always be in writing, and should be prepared only by an attorney who specializes in estate planning. After understanding the grantor's objectives, the attorney will draft a trust that addresses the following key issues:

- Who (if anyone) will receive the trust income, and how long do these income payouts (or the accumulation of income) last?
- Who will receive distributions of trust principal, and at what times?
- When will the trust terminate?

In the subsections that follow, you can learn about these various types of trusts:

- Revocable Living Trust
- Irrevocable Life Insurance Trust
- Spousal Limited Access Trust
- Intentionally Defective Grantor Trust
- Dynasty Trust
- Qualified Personal Residence Trust
- Grantor Retained Annuity Trust
- Grantor Retained Unitrust
- Section 2503(c) Trust
- Bypass Trust
- Qualified Domestic Trust
- Special Needs Trust