

REVOCABLE LIVING TRUSTS

PEACE
of mind



WHAT IS YOUR LEGACY? HOW CAN WE HELP YOU BUILD IT?



COVENANT TRUST COMPANY®

your financial services partner

trustee services • asset management • retirement planning • legacy planning

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A TALE of Two Couples

Greg and Sally own their home, have two grown children, and hope to retire in about 15 years. Greg has a good income, so they leave most of their asset management to the various brokers who manage their portfolio and IRA funds. Sally spends most of her time doing volunteer work, keeping up with her new grandchild on the internet and managing the household. They describe their situation as ‘comfortable.’

That was two months ago. One night driving home from work, Greg had a fatal car accident. Suddenly, Sally went from a comfortable, cared-for wife to being a widow with little understanding of what she has, how much it’s worth, or how to manage it. While the children have tried to help, they live far away and have families of their own; so they can’t stay with Sally for long periods of time. Though she loves her family, Sally does not especially want to live with any of them-she’s still young, used to her independence and wants to stay in her home. But she struggles every day trying to get a handle on finances and discover what her situation actually is. She’s being pushed and pulled from many directions; she’s worried about the future, afraid she might have to look for a job, and doesn’t know what to do. Last night after trying to make sense of the latest round of broker statements, and going through another pile of documents from Greg’s files, she thought, “This isn’t how I want to spend the rest of my life.”

We agree. And it probably isn’t what Greg would have wanted either.

Now consider Mark and Betty. They’re good friends of Greg and Sally. When Betty heard about Greg’s accident and the hard time Sally was having, she commented to Mark: “We think something like that won’t happen to us-but what if it did? What would I do?” Betty and Mark reviewed their situation; and slept well that night knowing Betty would not have the same problems as Sally.

What made the difference for these two couples? A comprehensive financial plan, coupled with a revocable living trust, pour-over wills and powers of attorney for finances and health care give Betty and Mark the peace of mind they need.



HOW CAN A REVOCABLE LIVING TRUST BENEFIT ME?

You have your own special needs and concerns about financial and legacy planning. You may have asked yourself these questions:

- Will my assets last as long as I [and/or my spouse] need them?
- Are my assets providing an adequate return?
- Do I feel comfortable with how they are invested?
- Do I [and/or my spouse] feel comfortable managing investments?
- What if something happens to me? Who will take care of things? How can I protect my spouse?
- Are financial management details a burden for me? [or my spouse?]
- Is record-keeping a problem? Do I know what records to keep?
- Will there be anything left for my family or charities I want to support?

A revocable living trust:

- Gives you peace of mind, knowing your affairs are in order and your loved ones are provided for
- Puts **you** in control-carries out the objectives **you** have established
- Relieves you of financial management and record-keeping details. When Covenant Trust Company [CTC] is the trustee, you get quarterly reports showing all the details about your trust. You receive tax information showing all income and dividends trust assets have earned. [*Covenant Trust Company does NOT provide personal income tax preparation service.*]
- Provides continuity in case of illness or incapacity, since there is no interruption in the management or availability of your assets.
- Distributes your assets exactly as you wish
- Saves possible costs and delays from probate and may include provisions to reduce estate and/or inheritance taxes



DECISIONS, DECISIONS

If you feel you want to use a revocable living trust as part of your overall financial plan, meet with a CTC Financial Services Representative to review your options. [See *Directory, back page.*] You will need to make several important decisions during this information-gathering process.

Trustee

Will Covenant Trust Company be the trustee? [See *Revocable Living Trusts: Choosing Your Trustee.*]

Income beneficiary(ies)

Who can receive income from this trust? You may name another person in addition to yourself as income beneficiary (e.g. your spouse, a relative or friend.) The second person continues to receive payments from the trust after your death.

Payment options

Do you want to receive payments from this trust? You decide how often, and how much. You can receive a fixed payment amount or all the earnings. Your trust can also pay your monthly bill at a retirement facility, or your quarterly estimated tax payments. You may change the amount or frequency of regular payments or receive special payments from your trust at any time by written request.

Remainder beneficiaries

Who will receive the trust residue after your death? You may include children, other relatives and/or friends, and charities. After the death of the last income beneficiary, the remaining trust assets are distributed to the remainder beneficiaries you have designated. Distribution is not immediate, as the trustee must wait until the claim period against the estate expires, final tax returns are filed and accepted, and all costs and fees paid. Partial distributions may be made sooner at the trustee's discretion.

Based on the choices you make, a trust document will be prepared with the information and instructions you provide. You sign the trust agreement, then fund the trust with cash, securities or other assets. *It's important to note that the trust won't function properly unless it is funded.*



YOU'RE IN CONTROL

Part of the 'peace of mind' factor of a revocable living trust is knowing that you and/or your loved ones don't have to 'sweat the details' in case of unexpected events. Another 'peace of mind' element is the control that a trust gives you. When you have a revocable living trust:

- You decide who will manage the trust assets
- You state your personal objectives and tolerance for investment risk so the investment strategy for your account is one you're comfortable with
- You determine who the trust will provide for, to what extent, and for how long
- You designate who will eventually receive the trust assets

The actual trust agreement is always the governing document. This means that the trustee is legally bound to comply with all provisions contained in the trust document. Any discretion given to the trustee is also specifically outlined in the terms of the trust.

When you work with Covenant Trust Company, all documents are prepared by qualified attorneys. Covenant Trust Company does not practice law. Where we are named as trustee, documents are usually prepared by our legal counsel, subject to review by your own personal attorney. If you want us to work with your personal attorney for document preparation, we are happy to do that. If you do not have an attorney, we can provide names of attorneys in your area. Before accepting trusteeship, Covenant Trust Company reserves the right to review all documents where it is named as trustee or successor trustee.

We suggest that you consult your personal attorney, accountant or tax preparer for legal and tax advice specific to your situation.





A *trust* is a legal agreement established when a *grantor* signs a trust agreement and transfers property to a *trustee*, who then manages those assets solely for the benefit of the current *income beneficiary(ies)* and the eventual *remainder beneficiary(ies)*.

The *grantor* is the person who sets up the trust. There may be more than one grantor, such as a husband and wife. The grantor gives instructions in the trust document on how to manage and distribute the assets of the trust both during life and after death.

The *trustee* is the person or institution who carries out the provisions of the trust.

There may be one or more *income beneficiaries* who receive payments from the trust. In most cases, final distribution of the trust is not made until after the death of the last surviving income beneficiary.

In most states, the same person can be the grantor, trustee and income beneficiary of the trust if desired.

Remainder beneficiaries are persons and/or institutions named to receive a portion of the trust residue at the time of distribution. This may include family members and other individuals as well as charities.

Trusts are routinely used by the wealthy for many reasons, including reducing estate taxes. ***But trusts can also be extremely helpful to persons with small estates and limited resources.***





When you create a revocable living trust, you say four things to the trustee:

“Manage these trust assets for me.”

Although you transfer the assets to the name of the trust, you retain effective ownership and control because you have the right to amend or revoke the trust. The trustee acts on your behalf.

“Make payments to me from the trust if I ask.”

If you desire to receive payments, the amount you choose to receive may be all or part of the trust asset earnings, or all the earnings plus some principal. You may change the amount and frequency of the payments as needed.

“If I become unable to look after my own affairs, use the trust earnings (and principal if needed) to take care of my financial needs and those of my spouse.”

The trustee is not only authorized, but instructed to perform this important service. You provide specific instructions in the trust document to cover these situations.

“When I pass away, either continue to manage these assets for my spouse, or distribute the assets remaining in the trust, according to my instructions in the trust agreement.”

The trust document gives you peace of mind, because you have given specific instructions for continued management of assets, or distribution to family, other individuals and charities.

This distribution of trust assets is done outside the probate process and is not a matter of public record.

This brochure provides general descriptions and information, and is for purposes of example and education only. The trust document is always the governing instrument. Nothing in this brochure is intended as specific tax or legal advice.

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FEE SCHEDULE FOR REVOCABLE LIVING TRUSTS

Trustee fee [see schedule on next page]

All trust documents where Covenant Trust Company serves as trustee contain language similar to the following which states that Covenant Trust Company is entitled to “reasonable compensation for services in administering and distributing the trust property, and to reimbursement for expenses.” The role of trustee carries significant risk and responsibility.

In the event that the trust document designates the greater of \$15,000 or 25% of the residue remaining in any revocable living trust after the death of the last surviving income beneficiary for one or more Covenant ministries of the grantor’s choice, and all grantors/income beneficiaries are age 60 or over, Covenant Trust Company may elect to waive the trustee fee during the grantor’s lifetime.

Revocation Fee [see schedule on next page]

It is the current policy of Covenant Trust Company to charge a fee in situations where Covenant Trust Company is acting as trustee in the event of:

- the revocation of a revocable living trust
- the removal of Covenant Trust Company as trustee
- the amendment of a revocable living trust which results in the trust no longer meeting Covenant Trust Company’s criteria for serving as trustee

The date of such revocation of amendment shall be known as the “change date.” A fee based on the fair market value of the trust assets [not reduced by trust liabilities], calculated quarterly from the date of the trust agreement through the change date, will be charged. Any calendar quarter in which Covenant Trust Company charged a trustee fee will not be included in this calculation.



Trustee Fee Schedule Revocation Fee Schedule

First \$300,000	1 percent per year
Next \$700,000	8 tenths of 1 percent per year
Over \$1,000,000.....	5½ tenths of 1 percent per year

- All trustee fees will be billed quarterly
- There may be a per-transaction fee for special services such as electronic wiring of funds to a bank
- Trustee fees will be charged only for the period where Covenant Trust Company served as trustee
- Covenant Trust Company reserves the right to change the stated fees at any time

Termination Fee

It is the current policy of Covenant Trust Company to charge a fee at distribution when 100% of the trust remainder beneficiaries are charitable organizations. The fee will be 15% of the total distribution.





Is a Revocable Living Trust the only estate planning document I need?

NO. We recommend a ***Pour-over Will***, which covers any assets not included in the revocable living trust at the time of death and ‘pours them over’ into the trust for distribution. This simplifies and speeds up distribution of the estate, and can save legal fees and court costs. The Pour-over Will also handles the distribution of personal property.

We also recommend a ***Financial Durable Power of Attorney***, a ***Durable Power of Attorney for Health Care***. The Financial Durable Power of Attorney gives power of attorney to a person you choose to handle financial affairs if you cannot. It applies to assets *outside the trust*. The Durable Power of Attorney for Health Care (not available in all states) gives one or more persons of your choice the authority to make decisions regarding your medical care if you are unable to do so yourself.

Why are these documents important?

The financial power of attorney gives authority to a person of your choice to handle legal and financial affairs in case you are incapacitated. This includes access to bank accounts, purchase or sale of assets and investments, employment of caregivers or service providers, payment of taxes, etc. Significant delay and hardship may result if you become incapacitated and have not granted this authority through a power of attorney.

In case of accident or illness, important decisions regarding medical treatment, care and personal needs must be made. The trust can provide payment for care and services; it has no authority to determine what care or services are provided. By using the powers of attorney, you choose a person you trust to make those choices if you cannot. (Laws regarding powers of attorney vary from state to state.) We strongly recommend the pour-over will and ***both*** powers of attorney be used in conjunction with the revocable living trust.



OTHER RESOURCES

If you are considering a Revocable Living Trust, we have additional resources that may be helpful. They are available on our website at www.covenanttrust.com or by request to our office:



Revocable Living Trusts...Choosing Your Trustee

The advantages of choosing a professional trustee over an individual



Covenant Trust Company

A closer look at Covenant Trust Company and the services it provides, with information on officers and directors, plus recent statistics about accounts managed, size and growth



Managing Investments at Covenant Trust Company

Provides information about basic investment issues like cost basis and asset allocation; Covenant Trust Company's investment strategy; and what happens when a client chooses CTC's asset management services



Investment Management Accounts

Describes the advantage of investment management accounts for both individuals and Covenant ministries. Lists fee schedule for investment management accounts



Questions & Answers about Individual Retirement Accounts at Covenant Trust Company

Examines the IRA services available through Covenant Trust Company, and the advantages of having CTC serve as IRA trustee

Do you think a revocable living trust or other type of life income agreement could be helpful in your personal financial and legacy planning? Contact Covenant Trust Company for a personal consultation. All communications are totally confidential, and there is no obligation on your part. Please feel free to call, write or e-mail as follows:

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