

Ask a trust officer:

Tax-saving Trusts

DEAR TRUST OFFICER:

Can I use a trust to save on my income taxes?

—PINCHING MY PENNIES

DEAR PINCHING:

As a general rule, trusts have limited potential for saving on income taxes, so the answer is no. If you hear the phrase “tax-saving trust,” the reference is more likely to be to death taxes, not income taxes. For example, if a married couple uses a “two-trust estate plan,” they may be able to double the amount that stays within the family free of federal estate tax. Trusts typically distribute their income to beneficiaries, who pay income taxes on the distributions. If the trust retains income, it must pay fiduciary income taxes.

There are important income tax savings available with charitable trusts, so if you are philanthropically minded, this could be a good avenue to explore. Such a trust must be irrevocable in order to achieve tax benefits, which means that the commitment to charity will be permanent.

Your Trust Officers,
Suzanne Chilcott & Jon-Myckle Price

Do you have a question concerning wealth management or trusts? Send your inquiry to Suzanne at suzanne@secfedbank.com or to Jon-Myckle at jmp@secfedbank.com. You can also give us a call at 574-722-6261.