Estate planning in the FAST lane

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Traditionally, estate planning has focused on more technical objectives, such as minimizing gift and estate taxes and protecting assets against creditors' claims or lawsuits. These goals are still important, but affluent families are increasingly turning their attention to "softer," yet equally critical, aspirations, such as educating the younger generation, preparing them to manage wealth responsibly, promoting shared family values and encouraging charitable giving. To achieve these goals, many are turning to a family advancement sustainability trust ("FAST").

Decision-making process

Typically, FASTs are created in states that (1) allow perpetual, or "dynasty," trusts that benefit many generations to come, and (2) have directed trust statutes, which make it possible to appoint an advisor or committee to direct the trustee with regard to certain matters. A directed trust statute makes it possible for both family members and trusted advisors with specialized skills to participate in governance and management of the trust.

A common governance structure for a FAST includes four decision-making entities:

1. An administrative trustee, often a corporate trustee, that deals with administrative matters but doesn't handle investment or distribution decisions,
2. An investment committee — consisting of family members and an independent, professional investment advisor — to manage investment of the trust assets,
3. A distribution committee — consisting of family members and an outside advisor — to help ensure that trust funds are spent in a manner that benefits the family and promotes the trust's objectives, and
4. A trust protector committee — typically composed of one or more trusted advisors — which stands in the shoes of the grantor after his or her death and makes decisions on matters such as appointment or removal of trustees or committee members and amendment of the trust document for tax planning or other purposes.

Funding options

It's a good idea to establish a FAST during your lifetime. Doing so helps ensure that the trust achieves your objectives and allows you to educate your advisors and family members on the trust's purpose and guiding principles.

FASTs generally require little funding when created, with the bulk of the funding provided upon the death of the older generation. Although funding can come from the estate, a better approach is to fund a FAST with life insurance or a properly structured irrevocable life insurance trust. Using life insurance allows you to achieve the FAST's objectives without depleting the assets otherwise available for the benefit of your family.

A flexible tool

A FAST is a flexible tool that can be designed to achieve a variety of goals. How you use one depends on your family's needs and characteristics. Properly designed and implemented, a FAST can help prepare your heirs to receive wealth, educate them about important family values and financial responsibility, and maximize the chances that they'll reach their potential. Please contact us for additional details.

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