ESTATE PLANNING

Dynasty Trust

Concept Applied:

Grantors often fund dynasty trusts with life insurance or assets expected to appreciate. The dynasty trust allows the grantor to:

- preserve wealth,
- provide financial support for family members and future generations, and
- avoid federal estate tax over many generations.

How It Works:

Because the trust benefits grandchildren and family members not yet born, grantors must use the GSTT exemption to offset or absorb any tax liability ($13.99 million in 2025, or $27.98 million for a married couple).

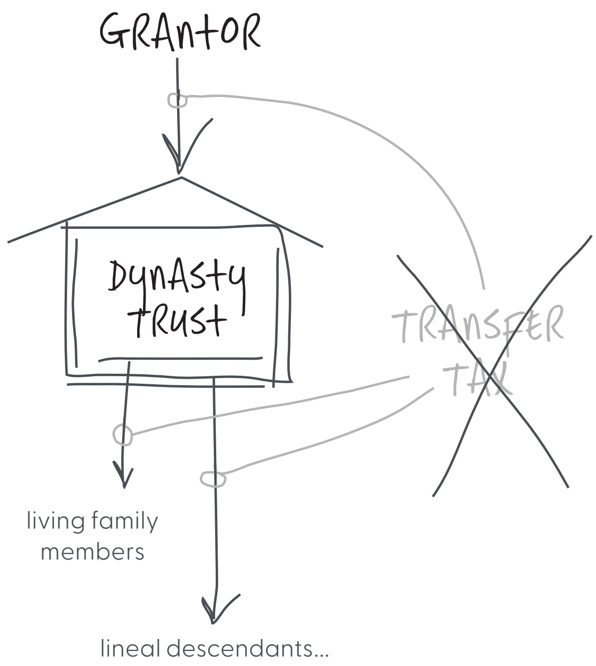
At least one trustee must be located in the state where the trust is located, and one trustee should be a corporate entity for the sake of continuity. Trustees should invest conservatively and distribute assets based on need. The grantor can use a spendthrift provision to protect assets from creditors and ex-spouses of beneficiaries.

Why Is It Useful?

Now, many states permit trusts that last hundreds of years or more. By minimizing the effect of federal gift, estate, and generation-skipping transfer taxes (GSTT), a dynasty trust protects wealth, allowing greater amounts of family treasure to reach successive generations.

50 Words or Less

A dynasty trust is an irrevocable trust that leverages the gift tax annual exclusion, the unified credit, and the GSTT exemption to protect as much wealth as possible from the impact of the federal estate tax over many generations.



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