

Not Your Grandfather's Trust

NEW TRENDS IN ESTATE PLANNING

The world of estate planning is changing — and for the better.

A glimpse into most trusts would reveal traditional trust structures and investment assets. While these assets are still appropriate for many trusts, new trends are emerging.

Wealth structuring experts are embracing new methods and considering new asset classes — including alternative investments and capital markets strategies.

For the individual, all of this means a more sophisticated and customized solution with a greater possibility of success.

- **The worlds of planning and investments are starting to be integrated.** Wealth structuring experts are beginning to think more holistically, combining sophisticated investment strategies and planning techniques to create original estate planning solutions.
- **Leveraged gifting strategies offer a potentially bigger “bang” for the gift-giving dollar** — particularly in a low-interest-rate environment — and can breathe new life into a tried-and-true structure, the Grantor Retained Annuity Trust (GRAT).
- **Some trusts are being structured for maximum gain potential.** New approaches to these trusts call for nontraditional portfolio management techniques.
- **Alternative investments and capital markets strategies can play a significant role.** Planners are expanding the sorts of investments they consider to include vehicles such as hedge funds, private equity, options and structured products.

Important Information

Alternative investments such as derivatives, hedge funds, private equity funds and funds of funds can result in higher return potential, but also higher loss potential. An investment in a hedge fund involves a substantially more complicated set of risk factors than traditional investments in stocks or bonds, including the risks of using derivatives, leverage and short sales which can magnify potential losses or gains. Restrictions exist on the ability to redeem units in a hedge fund. Hedge funds are speculative and involve a high degree of risk. These investments are generally only available to qualified investors. Such investments should be discussed with financial, tax and legal professionals in light of an individual's objectives and tolerance for risk.

Hedge funds present special risk considerations. Such risks may include, without limitation, complex tax considerations, foreign exposure, incentive fee structure, lack of regulatory structure, restrictions on transferability and liquidity, and the possible use of the following, which may increase the risk of loss to investors: leverage and initial public offerings. There is limited or no secondary market for interests in hedge funds.

Investors should consider these and other key characteristics of alternative investments such as fees and minimum investment requirements. A hedge fund may use more aggressive strategies than a mutual fund and as a result entail a higher level of risk. Mutual fund fees are subject to specific regulatory limits under FINRA rules vs. hedge funds, which have no limits on the fees they can charge to their investors.

Professional management can help to ensure that individual managers are monitored and the overall portfolio is appropriately balanced. Individual investors should carefully examine the potential benefits and risks and consider whether hedge funds have a place in their investment portfolio.

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