### Introduction

Trusts are important estate planning tools. Trusts can help avoid estate shrinkage and preserve assets by providing for children’s advancement, maintenance and education until children are at a set age to use their inherited wealth wisely.

However trusts should only be established after factoring in and correctly reviewing both your wants, needs and objectives and those of your beneficiaries — children and/or grandchildren and/or great grandchildren.

Here are a number of common motives for establishing trusts in the event of your death — and the pitfalls associated with them.

**Managing Wealth on Your Death: An Opportunity or a Curse?**

1. **Providing for children until late in life before they handle their own money without restriction.** This laudable motive can sometimes backfire. Treating young people as immature often serves as a self-fulfilling prophecy — they may not grow up.

2. **Preventing the children from making costly mistakes.** Being overprotected and guarded may also prevent maturity. Risk is an essential element of growing up. We all learn from our mistakes, often painfully, but most of us won’t learn any other way.

3. **Guarding children from the dangers of the world.** The world is a dangerous place. Beneficiaries can and often do get involved with manipulative people and dubious causes. But this can be a valuable part of their learning and maturing process. When children are too protected and restricted in making their own errors, they may grow up lacking self-confidence and self-esteem — and ultimately resent their parents.
Wealthy parents usually provide their children with a good academic education but often seem unaware of the importance of life experience and making mistakes.

4. **Maintaining control over children's lives until late age.** Most parents want their children to be and behave the way they want them to. In many instances this is translated as being as much like the parents as possible. Many beneficiaries have described, with sadness and anger, how their parents’ promises of inheritance and threats of disinheretance make them feel controlled and coerced. And trusts are often used with distributions contingent on adult beneficiaries’ behaviour satisfying their parents or trustees.

One way in which parents keep in control through trusts and other such instruments is by putting in reporting systems which are so intricate it is nearly impossible for the beneficiaries to know where they stand. A surprising number of wealthy young adults are not aware of the extent of the family fortune, how much will come to them, in what form, and when. The response to this sort of ignorance is sadness and anger toward parents, which benefits no-one.

One especially damaging form of control is expecting children to work in the family business, without taking into account their talents and personal motivation. There are occasions when working in the family business is suitable and provides an opportunity to the beneficiary. But many beneficiaries spend their working lives in occupations which are not suitable for them. Inheriting wealth should provide beneficiaries with freedom and opportunities, enabling them to choose their work and their lives. But too often parental coercion turns this potential blessing into a curse.

5. **Creating a dynasty trust.** Wealthy people can become quite captivated by the prospect of their name and their progeny going on through time as important and famous.

Although the stated (and perhaps even real) purpose for structuring a Will trust is usually to provide for the security, advancement, maintenance and education of grandchildren and great-grandchildren, in many circumstances it turns into a form self-aggrandisement. Perhaps a clue to the “dynasty” motive is that such trust instruments are usually named after the donors, not the beneficiaries. A much more satisfactory form of immortality is healthy, well-functioning children, grandchildren and great grandchildren.
The above Managing Wealth and Creating Trusts on Your Death: An Opportunity or a Curse? plus many other essential hot topics for business owners is all found in the book Nobody Else’s Business. Nobody Else’s Business is about helping business owners live the life they want to live, now and in the future. It is the ultimate guidebook for succession planning of modern Australian businesses.

To purchase your own copy of Nobody Else’s Business please follow the link http://www.pavuklegal.com/PavukLegal2312/Page/27038/NOBODY+ELSE’S+BUSINESS.aspx

Pavuk Legal can also assist you with a full range of legal services in respect to your Estate Planning needs including establishing Trusts on your Death. With the right tools and processes your Estate Planning desires can be implemented appropriately for both you and your intended beneficiaries.

Pavuk Legal can support you with all Estate Planning services, including structuring your business to be retained, sold or liquidated in the event of your death, advice and documents on transfer including Wills, Testamentary Trusts, Advanced Health Care Directives, Powers of Attorney, Guardianships, Power of Attorneys, Binding Death Benefit Nominations and much more.

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