According to Anglo-Saxon law, trust is an effective instrument of tax planning, asset protection and its conveyance by inheritance, which has been used for centuries in England and other countries of common law.

**Main components of Trust**

**Trust** – is a form of contractual relationship, under which certain assets are transferred to the trust property.

**Trust Fund** – represents assets transferred to the possession of a trustee under the terms of the trust. Assets can be cash, securities, real estate, shares of captive companies, equity units, works of art and etc. Assets should have individual characteristics. Assets should be officially transferred to a trustee and be at his disposal. Often each type of asset is held by a separate company owned by the trust.

**Beneficiaries** – owners of the interest for whom the trust is established. If the trustee is entitled to choose the beneficiaries at own discretion, then the settlor can write a “letter of wishes”, containing instructions for the trustee regarding the capital distribution and trust income. The settlor can appoint himself and/or other parties as the beneficiary.

**Trustee** – is a natural person or a legal entity (appointed by settlor), which owns and manages the assets of the trust in the interest of beneficiaries according to the trust deed conditions. The Trustee has the authority to manage the trust fund. Therefore, the settlor should be extremely careful in selecting the trustee.

The **Settlor** - is a person who transfers the right to his estate or its part to the trustee. If the identity of the settlor is confidential the trustee can establish the trust with a one-sided statement.

The **Protector** - is usually chosen from among the close friends, family or independent professionals who are familiar with family and affairs of the settlor. Depending on the wishes of the settlor the functions of the protector can vary. Usually, the protector is not engaged in current issues, but he has veto authority regarding important decisions, for example, capital and income distribution, designation or removal of a beneficiary, replacement of the trustee or appointment of a new trustee. The protector is not required in the trust concept.

A **Trust Deed** – is a document which sets up duties and power of the trustee regarding the management of the trust fund, determines the period of trust, names beneficiaries and regulates the distribution of income and capital of the trust among beneficiaries or in their interest. With due consideration of his power in managing the trust fund the trustee considers changes in the situation of the settlor and beneficiaries, takes into account the wishes of the settlor during his life and after. In most trust jurisdictions trust deeds are not registered by the state, allowing the settlor, beneficiary and trustee confidential.
According to principles of trust law the estate, around which the trust is established, is not a part of any property of the settlor during his lifetime or after his death.

A Trust is established by transferring estate from the settlor to the trustee under authority of the trust deed.

What are advantages of a trust?

**Tax minimization**

One of the advantages of trust is tax minimization. Estate and other assets, transferred to the trust are not settlor’s property and therefore not subject to capital gains tax.

**Perpetuity**

A trust is intended to protect property rights; the trust simplifies estate transfer to future generations as well as assets restructuring and diversification. The property and other assets transferred to the trust are not the property of the settlor and cannot be taken away or adjudged (e.g. by divorce).

**Assets consolidation**

A trust makes it possible to collect various types of assets (stocks and shares in companies, real estate, bank accounts, savings and etc.) “under one roof” and successfully manage them. It is convenient for those who for one reason or another do not wish to be direct owners of the assets.

**Family members’ protection**

A trust also protects the interest of young and/or disabled beneficiaries (who may be under guardianship of third parties) and persons who are handicapped physically or mentally or likely to be in this state in the future. Trust is a flexible and individual solution, which allows identifying the circle of beneficiaries, their shares and terms of payment.

The professionals of BlauStein can help you to select the appropriate trust jurisdiction, reliable trustee and to make a good Trust Deed. Call now: +31 880 200 200.