

Minor Beneficiary Trusts

What TO DO and NOT TO DO



Whether you're a parent who wants to ensure your children are cared for, or a grandparent who wants to benefit your grandchildren, here are some things consider when establishing a minor beneficiary trust.

YOUR 'TO DO' LIST

Have you received professional advice?

Whether you connect with an advisor at Concentra Trust or your estates and trusts lawyer, it is important to have advice when establishing a trust. Is a minor beneficiary trust necessary? For parents of minor children: yes. For grandparents and others, it depends on the purpose and size of the trust, and the length of time the trust would be in place.

What kind of trust do you want to establish?

Will it be an inter vivos trust (established during your lifetime) or a testamentary trust (established through your Will for after your death)? Establishing the trust during your lifetime may not make sense from an income tax perspective, and lessens your options if in the future you require the assets to maintain your lifestyle. Minor beneficiary trusts can be established through your Will, with a specified dollar amount or percentage of your estate.

What is the purpose of the trust?

If the trust is for your children, it can be to ensure that their care, maintenance and educational needs are met through to adulthood. If it is for your grandchildren and you have grandchildren in different families, will there be a trust established for each family, or one pool of funds for all grandchildren?

How can the trust funds be used?

Parents will want to ensure their children are cared for as though they were still there. Grandparents may decide the trustee will have no discretion over the funds; e.g., the trust can be used only for tuition fees, or the grandchild has no access until a specific age. Or a grandparent may decide the trustee will have some discretion—i.e., that the trust can be used in setting grandchildren up for life; e.g., as seed capital for a business, a down payment for a home, etc. Consider whether you wish to limit how much each grandchild can access; e.g., funds may be accessed for tech or design school or a Bachelors degree but not for a Masters or Ph.D., so that the funds are more equally shared amongst multiple grandchildren and not depleted by one beneficiary.

How much should be set aside for the trust?

The amount to be held in the trust is up to you; however, if it is only \$500, a trust may not be appropriate. If it is more like \$50,000 or in the millions, then a trust may be appropriate. Professional advice will ensure you make a well-informed decision. Concentra Trust does not have asset thresholds that could restrict our involvement.

When and how will the funds be distributed?

To determine the best age to release the funds in the trust, consider the maturity level of the beneficiary. For instance, is it your intent for the trust to be the source of funds for your grandchild's shiny Porsche at age 18? Although it would require changing your Will, you may decide over time to increase or decrease the age when the beneficiary will benefit from the trust.

You also need to decide whether the trust will be released all at once or as a percentage as the beneficiary attains a certain age; e.g., 20% at age 21, 20% at age 25, 30% at age 30 and the balance at age 35. Your estates and trusts advisor or lawyer will explain your options.

Who is an appropriate trustee?

This is a critical decision, as the trustee *must* follow the terms of the trust. Will they maintain a good relationship with co-trustees and beneficiaries? Will they invest the trust assets prudently? Will they remain impartial if conflict erupts? Will they keep accurate records and provide the required reporting? Will they be available if the trust is long-term—potentially decades long? A corporate trustee such as Concentra Trust may be a suitable and responsible alternative to naming a family member or friend.

YOUR ‘NOT TO DO’ LIST

Reconsider setting up an informal trust at your local bank or credit union

Informal trusts are a magnet for problems, as they are not considered a true trust. There can be challenges if the person setting up the trust dies. The beneficiary will receive the funds as soon as they reach the age of majority. There is no named trustee who can ensure the funds will be used as you had intended.

Reconsider naming minor beneficiaries on an insurance policy, registered plans, etc.

If you are establishing a trust within your Will, naming a minor child beneficiary on your insurance policy will undo your planning. The court/Public Trustee holds the funds until the child reaches the age of majority and then releases the trust to them in a lump sum. Only by going through your estate will the funds be available to fund the trust.

Consider beneficiaries who are not yet born

Although it may make sense to name your beneficiaries, if your intent is that *all* your children or grandchildren will benefit from a trust, you may inadvertently exclude future-born children if you name your beneficiaries in your Will. If, however, your goal is to benefit certain individuals only, be sure to include their full legal name in your Will.

There are many factors to contemplate when establishing a minor beneficiary trust. Consider connecting with an estate and trust advisor at Concentra Trust to answer your questions. We work with Canadians to ensure you have the information you need in determining whether establishing a trust for your loved ones is the right approach.

For more information: 1.800.788.6311 | trust@concentra.ca | concentra.ca

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Concentra Trust, a national trust company, has been serving clients, corporations and communities for more than 65 years with tailored estate and trust solutions designed to preserve and transition wealth to future generations. We are well versed in navigating the intricacies of estate planning and administration and our experts have the skill to support all aspects of the process. Given our passion for trust governance, our unbiased advice and guidance, and our inclusive leadership culture and co-operative values, we provide exceptional client service.

A word from our lawyers

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