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Revocable Living Trusts

peace of mind
“In this complicated world, with its constant flow of information, news, commentary and worry about the future, we all need some peace of mind. That’s where Covenant Trust Company (CTC) comes in. There is peace of mind in knowing that someone is watching over your assets, growing what you have and protecting it for the future. There is great peace of mind when the values of the people watching over you and your family are aligned with yours.

We understand your desire to take care of your family, community and ministries dear to your heart. Covenant Trust Company was established to facilitate that generosity.

“Everyone needs a financial services partner. We would like to be yours. CTC provides the expertise, discipline and clear-eyed focus on long term results you expect in an asset manager. We are committed to excellence, integrity, and prudent investing, looking to grow your net worth over time. We take care of business so that you are free to take care of what matters most to you.”
How Can a Revocable Living Trust Benefit Me?

You have your own special needs and concerns about financial and legacy planning. You may have asked yourself these questions:

- Will my assets last as long as I [and/or my spouse] need them?
- Are my assets providing an adequate return?
- Do I feel comfortable with how they are invested?
- Do I [and/or my spouse] feel comfortable managing investments?
- What if something happens to me? Who will take care of things? How can I protect my spouse?
- Are financial management details a burden for me? [or my spouse?]
- Is record-keeping a problem? Do I know what records to keep?
- Will there be anything left for my family or charities I want to support?

A revocable living trust:

- Gives you peace of mind, knowing your affairs are in order and your loved ones are provided for
- Puts you in control—carries out the objectives you have established
- Relieves you of financial management and record-keeping details. When Covenant Trust Company [CTC] is the trustee, you get regular reports showing all the details about your trust, and you can review assets online.
- Provides continuity in case of illness or incapacity, since there is no interruption in the management or availability of your assets.
- Distributes your assets exactly as you wish
- Saves possible costs and delays from probate and may include provisions to reduce estate and/or inheritance taxes

This brochure provides general descriptions and information, and is for purposes of example and education only. The trust document is always the governing instrument. Nothing in this brochure is intended as specific tax or legal advice.
If you feel you want to use a revocable living trust as part of your overall financial plan, you can meet with a CTC Financial Services Representative to review your options. [See Directory, back page.] You will need to make several important decisions during this information-gathering process.

**Trustee**
Will Covenant Trust Company be the trustee? [See Revocable Living Trusts: Choosing Your Trustee.]

**Income beneficiary(ies)**
Who can receive income from this trust? You may name another person in addition to yourself as income beneficiary (e.g. your spouse, a relative or friend.) The second person continues to receive payments from the trust after your death.

**Payment options**
Do you want to receive payments from this trust? You decide how often, and how much. You can receive a fixed payment amount or all the earnings. Your trust can also pay your monthly bill at a retirement facility, or your quarterly estimated tax payments. You may change the amount or frequency of regular payments or receive special payments from your trust at any time by written request.

**Remainder beneficiaries**
Who will receive the trust residue after your death? You may include children, other relatives and/or friends, and charities. After the death of the last income beneficiary, the remaining trust assets are distributed to the remainder beneficiaries you have designated. Distribution is not immediate, as the trustee must wait until the claim period against the estate expires, final tax returns are filed and accepted, and all costs and fees paid. Partial distributions may be made sooner at the trustee’s discretion.

Based on the choices you make, a trust document will be prepared with the information and instructions you provide. You sign the trust agreement, then fund the trust with cash, securities or other assets. *It’s important to note that the trust won’t function properly unless it is funded.*
Part of the ‘peace of mind’ factor of a revocable living trust is knowing that you and your loved ones don’t have to worry about the details in case of unexpected events. Another ‘peace of mind’ element is the control that a trust gives you. When you have a revocable living trust:

- You decide who will manage the trust assets
- You state your personal objectives and tolerance for investment risk so the investment strategy for your account is one you’re comfortable with
- You determine who the trust will provide for, to what extent, and for how long
- You designate who will eventually receive the trust assets

The actual trust agreement is always the governing document. This means that the trustee is legally bound to comply with all provisions contained in the trust document. Any discretion given to the trustee is also specifically outlined in the terms of the trust.

When you work with Covenant Trust Company, all documents are prepared by qualified attorneys. Covenant Trust Company does not practice law. Where we are named as trustee, documents are usually prepared by our legal counsel, subject to review by your own personal attorney. If you want us to work with your personal attorney for document preparation, we are happy to do that. If you do not have an attorney, we can provide names of attorneys in your area. Before accepting trusteeship, Covenant Trust Company reserves the right to review all documents where it is named as trustee or successor trustee.

*We suggest that you consult your personal attorney, accountant or tax preparer for legal and tax advice specific to your situation.*
A trust is a legal agreement established when a grantor signs a trust agreement and transfers property to a trustee, who then manages those assets solely for the benefit of the current income beneficiary(ies) and the eventual remainder beneficiary(ies).

The grantor is the person who sets up the trust. There may be more than one grantor, such as a husband and wife. The grantor gives instructions in the trust document on how to manage and distribute the assets of the trust both during life and after death.

The trustee is the person or institution who carries out the provisions of the trust.

There may be one or more income beneficiaries who receive payments from the trust. In most cases, final distribution of the trust is not made until after the death of the last surviving income beneficiary.

In most states, the same person can be the grantor, trustee and income beneficiary of the trust if desired.

Remainder beneficiaries are persons and/or institutions named to receive a portion of the trust residue at the time of distribution. This may include family members and other individuals as well as charities.

Trusts are routinely used by the wealthy for many reasons, including reducing estate taxes. But trusts can also be extremely helpful to persons with small estates and limited resources.

“Excellence is to do a common thing IN AN UNCOMMON WAY.”
When you create a revocable living trust, you say four things to the trustee:

“Manage these trust assets for me.”
Although you transfer the assets to the name of the trust, you retain effective ownership and control because you have the right to amend or revoke the trust. The trustee acts on your behalf.

“Make payments to me from the trust if I ask.”
If you desire to receive payments, the amount you choose to receive may be all or part of the trust asset earnings, or all the earnings plus some principal. You may change the amount and frequency of the payments as needed.

“If I become unable to look after my own affairs, use the trust earnings (and principal if needed) to take care of my financial needs and those of my spouse.”
The trustee is not only authorized, but instructed to perform this important service. You provide specific instructions in the trust document to cover these situations.

“When I pass away, either continue to manage these assets for my spouse, or distribute the assets remaining in the trust, according to my instructions in the trust agreement.”
The trust document gives you peace of mind, because you have given specific instructions for continued management of assets, or distribution to family, other individuals and charities. This distribution of trust assets is done outside the probate process and is not a matter of public record.

“Excellence is to do a common thing IN AN UNCOMMON WAY.”
—Booker T. Washington
Fee Schedule for Revocable Living Trusts

Trustee fee [see schedule on next page]
The role of trustee carries significant risk and responsibility. All trust documents where Covenant Trust Company serves as trustee contain language similar to the following which states that Covenant Trust Company is entitled to “reasonable compensation for services in administering and distributing the trust property, and to reimbursement for expenses.”

Termination fee
Owners have the right to transfer or terminate accounts according to the document governing the account. To recover costs associated with asset and securities re-registration, tax preparation, wire transfers or other incidental expenses, a Base Termination Fee may be assessed upon closure, and shall be collected at the discretion of Covenant Trust Company. Fees in addition to the Base Termination Fee shown below may be assessed, based on the size and holdings of the account, at the discretion of Covenant Trust Company.

If an account is terminated within one year of signing, CTC may add the cost of any document preparation advanced by Covenant Estate Planning Services® at the time the account was established to the Base Termination Fee shown below. This fee will be charged in the event of:

- the revocation of a revocable living trust
- the removal of Covenant Trust Company as trustee
- voluntary termination or closure of an account where CTC is acting as trustee or agent

**Base Termination Fee** ........................................................................................................... $500
Fee Schedule

Trustee Fee Schedule

First $1,000,000.................................1 percent per year
Next $2,000,000.................................8 tenths of 1 percent per year
Next $7,000,000.................................6 tenths of 1 percent per year
$10,000,000 and over ............................ By proposal

- All trustee fees will be charged quarterly
- There may be a per-transaction fee for special services such as electronic wiring of funds to a bank
- Trustee fees will be charged only for the period where Covenant Trust Company served as trustee or agent
- Covenant Trust Company reserves the right to change the stated fees at any time. Advance written notice will be provided to all account holders
- It is not required to designate anything to the Covenant Church. However, discounts are available to those designating 25% or more to Covenant Ministries.
Is a Revocable Living Trust the only estate planning document I need?

NO. We recommend a Pour-over Will, which covers any assets not included in the revocable living trust at the time of death and ‘pours them over’ into the trust for distribution. This simplifies and speeds up distribution of the estate, and can save legal fees and court costs. The Pour-over Will also handles the distribution of personal property.

We also recommend a Financial Durable Power of Attorney, a Durable Power of Attorney for Health Care. The Financial Durable Power of Attorney gives power of attorney to a person you choose to handle financial affairs if you cannot. It applies to assets outside the trust. The Durable Power of Attorney for Health Care (not available in all states) gives one or more persons of your choice the authority to make decisions regarding your medical care if you are unable to do so yourself.

Why are these documents important?

The financial power of attorney gives authority to a person of your choice to handle legal and financial affairs in case you are incapacitated. This includes access to bank accounts, purchase or sale of assets and investments, employment of caregivers or service providers, payment of taxes, etc. Significant delay and hardship may result if you become incapacitated and have not granted this authority through a power of attorney.

In case of accident or illness, important decisions regarding medical treatment, care and personal needs must be made. The trust can provide payment for care and services; it has no authority to determine what care or services are provided. By using the powers of attorney, you choose a person you trust to make those choices if you cannot. (Laws regarding powers of attorney vary from state to state.) We strongly recommend the pour-over will and both powers of attorney be used in conjunction with the revocable living trust.
If you are considering a Revocable Living Trust, we have additional resources that may be helpful. They are available on our website at CovenantTrust.com or by request to our office:

**Revocable Living Trusts...Choosing Your Trustee**
The advantages of choosing a professional trustee over an individual

**Covenant Trust Company**
A closer look at Covenant Trust Company and the services it provides, with information on officers and directors, plus recent statistics about accounts managed, size and growth

**Managing Investments at Covenant Trust Company**
Provides information about basic investment issues like cost basis and asset allocation; Covenant Trust Company’s investment strategy; and what happens when a client chooses CTC’s asset management services

**Investment Management Accounts**
Describes the advantage of investment management accounts for both individuals and Covenant ministries. Lists fee schedule for investment management accounts

**Questions & Answers about Individual Retirement Accounts at Covenant Trust Company**
Examines the IRA services available through Covenant Trust Company, and the advantages of having CTC serve as IRA trustee

Do you think a revocable living trust or other type of life income agreement could be helpful in your personal financial and legacy planning? Contact Covenant Trust Company for a personal consultation. All communications are totally confidential, and there is no obligation on your part.
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<tr>
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Choosing Your Trustee

Assured reliance

confidence or faith is placing trust, worth, reliability, dependence on future or belief in the honesty, integrity.

Why Covenant Trust Company is your best choice
Choosing Your Trustee

The trustee has an important role in your revocable living trust. Covenant Trust Company provides professional trustee services for approximately 700 revocable living trusts, and manages $700 million in fiduciary assets. Choosing Covenant Trust Company as your trustee has several advantages:

- **Knowledge**
  We are familiar with all types of trust, tax issues and legacy planning; we understand the legal responsibilities of being a trustee.

- **Expertise**
  We tailor your portfolio to meet your needs and risk tolerance. Our investment staff understand all types of assets and give their full attention to asset management.

- **Discipline**
  Covenant Trust Company’s investment approach is strategic rather than tactical. We work with you to establish a diversified asset allocation for your account, then maintain it over time. We do not shift our strategy based on short-term movements in markets, and we do not attempt to ‘time’ the markets. This approach has proven successful for our clients.

- **Objectivity**
  We are strictly governed by the provisions you set up in your trust agreement.

- **Stability**
  Covenant Trust Company is always available—not subject to illness, distance, incapacity, etc.

- **The Personal Touch**
  We use technology to give you great service, but we never forget the personal touch. At Covenant Trust Company, you’re a person, not just an account number.
Choosing Your Trustee cont.

- **Accountability**
  As trustee, we are accountable not only to the grantor and beneficiaries of each trust, but also to the high standard demanded of trustees by state regulators and our own auditors.

- **Vision, Mission and Values**
  Covenant Trust Company places a strong emphasis on integrity, excellence and commitment to ministry—we use a stewardship approach to help you find a way to honor God through your financial and legacy plans. Covenant Trust Financial Services Representatives will never use high-pressure sales tactics.

- **Peace of Mind**
  You know your wishes will be carried out, that family members are relieved of worry and responsibility, and that you have provided for a legacy gift to Covenant ministries you care about.

We believe your interests are best served by naming Covenant Trust Company as either the initial or successor trustee. Individuals—while well-meaning—usually do not have the expertise, time or resources to serve as an effective trustee. For more information, see “Choosing a Trustee” on our website at www.covenanttrust.com/resources.

Covenant Trust Company works with many people who choose a revocable living trust as part of their legacy plan. Most name Covenant Trust Company as the initial trustee; some name us as the successor trustee. Even if you choose to be your own trustee at first, you can pay a fee to have Covenant Trust Company manage the trust assets through an Investment Management Account. Your Financial Services Representative can discuss the available options with you.

**Remember**—Covenant Trust Company is your financial services partner.

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Choosing a Trustee/Executor...

Choosing a trustee/executor is one of the most important decisions you will make. There are significant responsibilities in being a trustee/executor; and providing quality service requires expertise and knowledge that individuals may not always possess. The following information should be helpful to you in making this important decision.

**General Duties of a Trustee**
- Administer trust by its terms
- Duty of skill and care
- Duty to give notices
- Furnish information and communicate
- Provide written accounting of the assets, liabilities, receipts and disbursements from the trust
- Duty not to delegate
- Duty of loyalty
- Avoid conflict of interest
- Segregate trust property
- Duty of impartiality
- Enforce and defend claims
- Duty of confidentiality

**General Duties of an Executor**
- Probate the will
- Collect the assets
- Value the assets
- Manage the assets
- File final personal income tax return (1040)
- File estate tax return (706)
- File estate income tax return (1041)
- Pay debts, claims and expenses
- Distribute assets according to the document
- Account to beneficiaries and court

**Other Things to Consider**
- Longevity
- Legal Expertise
- Asset Management Skill
- Record keeping
- Tax Knowledge
- Integrity
- Loyalty to Document
- Impartiality
- Cost

Naming a corporate trustee for a trust is almost always a better long-term choice. The consequences of inadequate or incompetent trustee services can be significant, both to you and to the trustee. Covenant Trust Company® provides professional trustee services and asset management, and is an excellent choice to serve as trustee of your revocable or irrevocable trust, or IRA account.

*Your will is the legally binding expression of your wishes for the distribution of your property. The executor’s job is to administer the estate and carry out those wishes. The executor has significant responsibilities—some of which may be difficult or confusing; and may have 1-2 years of work that carries not only legal liability, but also the risk of unpopularity with estate legatees. For these reasons, you should give careful thought to your choice of executor. You should always name a second choice [successor executor] in your will in the event your first choice is unable or unwilling to serve, or predeceases you. If you don’t make a choice, the probate court will!*