



Published on *mydigitalfc.com* (<http://www.mydigitalfc.com>)

Trust best way to manage assets

Apr 13 2009

With super rich individuals and non-resident Indians accumulating assets across the globe, the moot question is how best to manage their property as they become exposed to complex international regulations.

Industry experts point out that wealth management through a trust is one of the best ways to look after global assets, as it helps in a hassle-free transfer of benefits to heirs and minimises tax exposure. Trust is a right in property (real or personal), which is held in a fiduciary relationship by one party for the benefit of another. The trustee is one who holds title to the trust property and the beneficiary is the person who receives the benefits.

Since many individuals neither set up trusts nor execute wills, intestate succession laws are an important complement to trust and estate laws. They determine where an individual's assets go upon death in the absence of a will. An individual can either set up a family trust either while he is alive (by a declaration of trust contained in a trust deed) or when he dies by the terms of his will. Many trusts are created as an alternative to or in conjunction with a will and other elements of estate planning, while state-specific laws establish the framework for determining the validity and limits for both.

“One of the common forms of taxation is of property held by an individual at the time of his death. Such a tax can take the form, among others, of estate tax, which is a charge upon the entire estate of the deceased, regardless of how it is disbursed. The proper use of trusts may reduce one's tax burden,” Bijal Ajinkya, partner at Nishith Desai Associates pointed out.

In the US, after an applicable exempt amount, federal estate tax very quickly approaches 50 per cent of one's taxable estate. The applicable exempt amount was \$2 million in 2006, which is set to increase to \$3.5 million in 2009. Thereafter, the estate tax is temporarily repealed for one year in 2010, after which it is to be reinstated.

“Trust management can be a good structure for estate planning especially for those owning assets in the US and the UK, as it forms part of their laws,” Ashvin Parekh, partner and national leader, finance services at Ernst and Young, said.

© 2009 Financial Chronicle, All rights reserved

Source URL: <http://www.mydigitalfc.com/mutual-funds/trust-best-way-manage-assets-702>