It is not uncommon for an estate planner or tax advisor to receive the following complaint from a client: "I've got all these trusts that were created by my parents 40 years ago, as well as several others that were created on their deaths. Isn't there something we can do to get rid of some of them?" In other situations, the planner may be asked: "Can you fix it?" when discussing with his or her client a trust document that was not drafted properly or contains antiquated tax or administrative provisions. In both these scenarios, as with most client requests, the answer should be "Possibly." Trust merger can be an extremely effective tool in the estate planner's toolbox when faced with the preceding questions. In fact, merging trusts may be quite useful for many reasons.

In the 1970s, it was not uncommon to create multiple trusts for a client and his or her family, taking advantage of the favorable income tax brackets for trusts. As that disparity in income tax rates disappeared with the reduction in income tax rates for individuals, it has become quite inconvenient
for clients to maintain multiple trusts.

Probably more important to the client than the inconvenience of keeping track of multiple trusts is the cost associated with maintaining the trusts. Whether it be investment fees, trustees' fees, or professional fees, these costs may be reduced significantly if the number of trusts involved is reduced. If the number of trusts is reduced, so will the number of tax returns that must be filed, further reducing costs. In fact, a trustee may have a duty or responsibility to pursue a combination of trusts in certain cases-to take advantage of cost efficiencies.

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