

Dear Tom,

My husband and I have few assets, but we decided to get life insurance, so when the inevitable happens, we'll have something to pass on to our son. He's of legal age, but we're worried he could spend our entire estate on an exotic vacation or a bad investment. What can we do to make sure he gets the benefit (if we both go at the same time), but doesn't squander it? Can we set up a monthly disbursement without paying a fortune?

Still Kicking, But Not Sure How Long

Dear Kick,

Your predicament is not uncommon. Parents usually want to pass their estates onto their children, but also ensure that their hard work is not squandered. "Spendthrift trusts" are created for the benefit of a person (often because they may be unable to control their spending) that gives an independent trustee of your choosing the authority to make decisions as to how your estate will be administered for the benefit of your beneficiary. You can direct that your trustee regularly make payments to your beneficiary or pay certain expenses for your beneficiary. Creditors of your beneficiary can usually not reach the funds in your trust as they are under the control of your trustee, not your beneficiary.

An additional benefit to establishing and placing your assets in a trust is that it will avoid the painful and prolonged spectre of probate. You have indicated however, that the bulk of your estate will be the proceeds of your life insurance policy, which are not required to be probated. You will simply need to designate your spendthrift trust as the beneficiary of your life insurance policy.

As you review end of life decisions, I urge you and your husband to contact an experienced estate planning attorney who will assist you in accomplishing the goals you have set for your estate and drafting a trust that addresses your concerns.

Tom

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