

# MVFG ADVISOR

M A R T H A ' S V I N E Y A R D F I N A N C I A L G R O U P

W W W . M V B A N K . C O M

Welcome to the November issue of MVFG Advisor. As we enter the holiday season we are mindful of all we have to be thankful for. As I celebrate my six month milestone at the bank I want to thank everyone for a warm welcome to the Island.

Shortly, we will be announcing a new series that will take place in the evening to allow those that could not attend during the day. As part of the series we will be adding a session on small business. Stay tuned for details.

Our guest writer this month is staff member Sarah Mayhew-Shipway, Senior Trust Officer in our trust department. Sarah's article is entitled "What is a Trust and How Can it Benefit you?" Sarah joined the Martha's Vineyard Financial Group in 1996. She specializes in wealth management, estate planning, and retirement planning for individuals and families. Sarah graduated from Martha's Vineyard Regional High

School and Clark University with a BA in International Relations and Spanish Language & Literature. She also completed Northwestern University and American Bankers Association's National Trust School and National Graduate Trust School.

Sarah began her career in financial services at Putnam Investments in Boston where she held Series 6 and Series 63 licenses. Sarah holds the American Banker's Association designation of Certified Trust & Financial Advisor (CTFA) and Certified IRA Services Professional (CISP).

An excerpt from Sarah's article. "Who would you rather be the beneficiary of your assets when you pass away, your heirs or the government and your heirs?" At our Brown Bag Lunch Series I ended each session by challenging everyone to be sure and set-up a trust if they had assets and loved ones. Not having a trust causes much havoc to those you leave behind. Do your love ones a favor and prepare for

the inevitable. To learn how a trust could benefit you and your love ones, or to schedule a no-cost, no-obligation visit to learn about all our services please call us at the number listed below. We would be pleased to meet with you.

Happy Thanksgiving and safe travels to all our readers! - Bob Ripley

[rripley@mvbank.com](mailto:rripley@mvbank.com)

Robert G. Ripley, Jr.  
Senior Vice President & Group Manager



**Martha's  
Vineyard**  
FINANCIAL GROUP

For more information on our investment services or to schedule a confidential visit, please contact the Financial Group at 508-693-8850.

MARTHA'S VINEYARD FINANCIAL GROUP - SINCE 1991

## What is a Trust and How Can it Benefit You?

Who would you rather be the beneficiary of your assets when you pass away, your heirs or the government and your heirs? If you answered your heirs, you can imagine that you are not alone. The following article will highlight one of the main benefits of setting up a trust and that is for estate protection.

A trust is a legal entity that can hold title to property for the benefit of one or more other persons or entities. The person who sets up a trust is called the Grantor (can also be known as the Creator, Trustor, Donor, or Settlor).

The person or entity that manages the trust and is responsible for investing the trust assets is called the Trustee. A Grantor, Trustee and Beneficiary can be the same person.

The Trustee hold the legal title to the property that is in the trust and can use the assets. The person/people who are intended to benefit from the trust is/are called the beneficiaries.

There are many different types of trust in existence. The type that I am going to explore is a living or grantor trust that becomes irrevocable at a person's death. That means that during the lifetime of the grantor, it can be changed, revoked or amended but at the death of the grantor, it becomes irrevocable as the grantor is no longer alive to change it. There are certain exceptions to this rule but for this simple illustration we will leave the trust as irrevocable.

The current status of the federal estate tax is that each individual has an exemption of \$3,500,000 that he may pass to heirs at his death. This is the rule for 2009. The tax is scheduled to go away in 2010 and revert to 2001 law in 2011, which would mean a \$1,000,000.00 exemption. This amount may change in the next year so the example we will use will be 2009 values.

In addition to the \$3,500,000.00 amount that can be passed to heirs at death, an individual may pass an unlimited amount to his spouse during life. Regardless, if the individual doesn't plan correctly, his exemption amount could be lost. For example, take Bill and Mary. They have been married for many years and have two children. They have \$7,000,000.00 in total assets, split between the two of them (including life insurance, investments, real estate on Martha's Vineyard and a vacation home). Bill passes away suddenly and leaves all of his assets to Mary in his will. Later that year Mary dies. At the time of her death she has \$7,000,000.00 and her heirs now have a BIG tax due. They will owe approximately \$1,757,000.00 to the IRS and more to the Commonwealth of Massachusetts (provided she lived here).

If however, they had taken some simple steps during their lifetime, they could have avoided all of the federal tax and significantly reduced the state tax as well. If Bill and Mary had set up trusts with credit shelter provisions, they each could preserve their own \$3,500,000.00 federal exemption. They will still owe some Massachusetts tax as the Mass exemption is only \$1,000,000.00 but the benefit to their heirs would be significant; a savings of at least \$1,757,000.00 because in the credit shelter trust example, there is no federal estate tax due at either death.

There are many other reasons for establishing trusts during your lifetime. For more information on how trusts could benefit you and your situation, please contact one of our Trust Officers at 508-693-8850 or email us at [mvsbtrustgroup@mvpbank.com](mailto:mvsbtrustgroup@mvpbank.com) We would be happy to schedule a time to sit down with you and make some recommendations. As well, we are happy to work with your attorney to assist in completing your estate plan.

We look forward to hearing from you and the opportunity to work with you. Thank you.

*Article submitted by: Sarah Mayhew Shipway, Senior Trust Officer*