

TRUST FOR MINOR OR YOUNG PERSON

A custodian of UTMA or UGMA assets is responsible for investing those assets for the child's benefit. However, once the child attains 18 years of age (or 25 years if so specified), that child has the absolute right to control the assets. This is one of the significant disadvantages of custodial accounts.

An alternative to a custodial account is a trust established for a minor or young person that allows a trustee to continue to manage these assets after the child attains age 18. Many times parents or grandparents want to leave money to their children or grandchildren, but want the money managed by an adult. The settlor (person who establishes a trust) can create a sub-trust in his/her own trust document. Upon the death of the settlor, the assets left to the minor or young person (beneficiary) are distributed to the sub-trust. The assets may be used for the beneficiary in accordance with the settlor's instructions (e.g., college, rent, health insurance, travel, etc.), but the assets are managed by a trustee that the settlor has named. Once the beneficiary reaches whatever age the settlor designated in their trust, the beneficiary receives outright whatever money is remaining in the trust. If, at the death of the settlor, the child or young person has already reached the age at which the sub-trust would terminate, the beneficiary would receive the money outright.