



Legal Note - Domestic Asset Protection Trusts

Trusts generally offer a highly protective means of creditor protection. The protective benefits afforded by domestic trusts have, however, generally applied only to persons other than the grantor. Therefore, clients seeking trust protection over personal assets have historically been forced to seek protection through off-shore trusts. The prohibitive costs of maintaining an offshore trust have, however, generally precluded all but the very wealthy from utilizing such a “self-settled” trust.

Beginning in 1997, Alaska, and later Delaware, established the statutory framework for domestic self-settled trusts. Such trusts permit a grantor to fund a trust for himself and take advantage of statutory asset protection. Statutory requirements for settlor protection generally include irrevocability of the trust, relinquishment of certain control over trust assets and the absence of mandatory distributions to the grantor. Such trusts may also be used for a variety of tax planning techniques.