



CT TEACHERS' RETIREMENT BOARD
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LIVING TRUST AND YOUR CTRS BENEFIT

What is a living trust?

A trust is a legal arrangement under which one person, a trustee, holds legal title to property for another person who is called the beneficiary. You can be the trustee of your own living trust and may name a successor trustee to handle your trust upon your death. A "living trust" (inter vivos trust) is a trust that you create when you are alive as opposed to one that is created upon your death under the terms of a will (testamentary trust).

What's the advantage of establishing a living trust?

The single greatest advantage of establishing a living trust is that the property left through the trust does not have to go through probate court proceedings and is paid directly to the parties that you intended to receive it. Not only is this faster than going through probate, but is also less costly because you will avoid legal and court fees.

Why does a living trust avoid probate?

Property that you transferred to your trust prior to your death does not need to be subject to probate. The successor trustee merely transfers ownership of the property to the beneficiaries named in the trust.

Do I still need a will?

It's still wise to have a will because any property that you may have acquired prior to your death may not have been transferred to the trust. You can specify in your will who will get any property that wasn't distributed by the trust. Also, if you don't have a will, the property will be distributed to your relatives based on the laws of that state.

Can I set up a trust as my beneficiary for benefits under the Connecticut Teachers' Retirement System (CTRS)?

Yes. You can name your trust as your beneficiary. The designation must be filed on an official CTRS Beneficiary Form and must include the name of the trust and the date the trust was created.

It is very important that you fully understand that by naming your trust as primary beneficiary prior to retirement, you may be limiting or restricting the rights of your spouse to exercise options that would be in his/her best financial interest.

The statutes governing CTRS's pre-retirement death benefits are very complex and are very protective of statutory survivors (spouses, minor children). Whenever there are statutory survivors eligible for monthly benefits, benefits to these survivors will take precedence over the designated beneficiary. Refer to the CTRS Survivorship Benefits Before Retirement Bulletin before changing your designated beneficiary election and be sure to contact this office if you have any questions.

I named my trust as my primary beneficiary. What will happen if I die before retirement?

If you die prior to retirement and do not have any statutory survivors (spouse, minor children), a lump sum payment will be paid directly to your trust.

If you die prior to retirement and have statutory survivors, monthly statutory survivorship benefits will be paid to your survivors for as long as they remain eligible. Any remaining balance in your account after benefits have been terminated would then be paid to your trust in a lump sum.

How is the income to my beneficiary or survivors generally treated for federal income tax purposes?

Generally, the income is reported as ordinary income to the recipient on IRS Form 1099R except for that portion of the distribution or payment that represents a return of previously taxed contributions.

Does a living trust reduce estate taxes?

A simple living trust avoids probate but has no effect on taxes. There are more complicated living trusts that can be used to significantly reduce federal estate taxes for individuals with large assets.

Is a living trust appropriate for everyone?

How old you are, how rich you are and your marital status are all factors to consider. Living trusts generally are not needed for middle income people under age 55 since the cost to create the trust may far outweigh the probate court costs.

If you have named a designated beneficiary that is entitled to monthly benefits or a lump sum payment, the funds will be paid directly to the beneficiary without the need to go through the probate court.

Who should I talk to if I'm thinking of establishing a trust?

CTRS is not in a position to give you legal advice as to whether you should/should not establish a trust. We suggest that you contact your attorney and/or your financial planner to assist you in making this important decision.