



Credit Shelter Trusts



When estate planning is discussed within your financial plan, there are many different stipulations, guidelines, rules, and policies that can be put in place to protect assets and pass along your estate based on your wishes. Along with direction of distribution, it's important to think about beneficial tax strategies based on federal and state gift/estate tax. This is where a credit shelter provision or *Credit Shelter Trust* is factored into an estate plan.

The purpose of a *Credit Shelter Trust* is to allow spouses to maximize estate tax exemptions and pass on their wealth for future generations. From a basic perspective, when the first spouse passes, an amount (typically the estate tax exemption) is transferred into the *Credit Shelter Trust*. This amount is then sheltered from the decedent's estate, and estate taxes. At this point, the surviving spouse can utilize the trust income, and potentially the principal, but the trust's assets are not part of their taxable estate.

If you have questions as to whether a *Credit Shelter Trust* may be beneficial for you, please contact a Cabot Advisor to discuss further.

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