

A dark, blue-tinted background image of a woman with dark hair, wearing a white top, sitting at a desk and working on a laptop. There is a potted plant and some papers on the desk.

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So You Inherited a Trust

While it's a blessing to be included as a beneficiary of an estate, it's not typically something most of us go through more than once or twice in our lifetimes. This makes it tough to be practiced at the complications involved in receiving an inheritance after the death of a loved one. This usually presents itself via a phone call from a sibling, parent or doctor...or maybe it's something you've been preparing for over a long period of time. A parent passes, a trust gets activated, and suddenly someone who has spent their entire life earning, saving, and planning is now on the receiving end of wealth instead of the building side of it.

And that transition, from accumulator to steward, is where things inevitably get a bit more complicated.

We tend to think of trusts as these clean, orderly structures. Someone writes instructions, names a trustee, and the money flows out according to plan. In reality, it's rarely that simple. Sometimes, a trust is less like a faucet and more like a set of guardrails. It doesn't just say where the money goes, it can often dictate how and when it gets there. This is typically the case when the original grantor had specific provisions in mind regarding their legacy.

In many cases, beneficiaries assume they'll receive a lump sum or at least have broad control over the assets. Instead, what they may find is a layered distribution structure. Maybe income gets paid out annually, but principal requires discretion from a trustee.

Maybe distributions are tied to specific milestones, like age or life events. Or sometimes there are health, education, maintenance, and support standards that sound straightforward but leave plenty of room for interpretation.

And sometimes this is where friction can creep in amongst family and other parties that may be involved.

Because now you've introduced another decision-maker into the process. The trustee. And whether that's a family member or a corporate fiduciary, their job is not to simply say yes. Their job is to follow the terms of the trust and act in what they believe is the best interest of the beneficiary, both now and long term... and that can feel restrictive if you're on the receiving end.

I've seen situations where beneficiaries get frustrated because they feel like they have to "ask permission" for their own money. On the flip side, I've seen trustees feel pressure or even guilt when they have to say no, especially if it's a family relationship. It creates a dynamic that is part financial, part emotional, and part legal.

Another layer to this is taxes, which don't always behave the way people expect. Trusts (specifically irrevocable trusts) reach the highest federal tax bracket very quickly. So, depending on how distributions are handled, there can be a real difference between keeping income inside the trust versus distributing it out to the

beneficiary. Sometimes it makes sense to push income out. Other times, there are reasons to retain it. But it's not automatic, and it's definitely not something you want to guess on.

Then there's the investment side.

A trust portfolio isn't always managed the same way as an individual portfolio. The time horizon might be different. The distribution needs might be inconsistent. There may be multiple beneficiaries with competing interests. One wants income today, another benefits more from long-term growth. So now the investment strategy has to balance those competing priorities, which is a different exercise than simply maximizing returns.

All of this adds up to one central idea. Receiving money from a trust is not the finish line. It's the beginning of a different kind of responsibility.

So what do we actually do with that?

When we work with clients who are beneficiaries, the first step is slowing things down. Before making any major decisions, we want to understand the structure of the trust, the intent behind it, and how flexible it actually is. Not every trust is rigid. Some give trustees broad discretion, which can open up planning opportunities if approached thoughtfully.

We also spend time aligning expectations. What can realistically be distributed? What requires approval? What's the long-term purpose of these assets? Because when everyone is clear on the rules of the game, the emotional tension tends to come down quite a bit.

From there, we coordinate across the moving pieces.

Investment strategy, tax planning, and distribution planning all have to work together. You can't look at one in isolation. A distribution decision might solve a short-term need but create a tax issue. Holding assets inside the trust might be tax efficient but limit flexibility. There's a constant balancing act.

And then there's communication.

If there's a trustee involved, especially a corporate one, building a working relationship matters more than people think. Clear requests, well-documented needs, and thoughtful planning tend to get better outcomes than reactive or last-minute decisions. It's not about "getting around" the structure. It's about working within it intelligently.

At the end of the day, most trusts are created with good intentions. They're designed to protect, to provide, and to create some level of discipline around wealth. But good intentions don't eliminate complexity

So, if you find yourself on the receiving end of a trust, or expect to be at some point, the key isn't just understanding what you're getting. It's understanding how it works and how to make it work for you over time...and we're here to help you steward it in a way that aligns with both the structure in place and the life you want to live.

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