# What Is a Private Trust?

**trust**
noun - 1. firm belief in the reliability, truth, or ability of someone or something:

**trust fund**
noun - 1. a fund consisting of assets belonging to a trust, held by the trustees for the beneficiaries.

**Private Trust Definition**: A Private Trust is a legal contract that holds and manages assets for relatives, family members and friends of the Grantor (the Trust creator and owner). There are three major components to any Trust:

- **Grantor**: A Trust is created by a "Grantor," who may also be referred to as a "Trustor" or "Settlor."
- **Trustee**: Trusts are managed by a "Trustee" (or Trustees) who oversees and manages the Trust and its assets.
- **Beneficiaries**: A Trust benefits living men, women, animals, or charities, known as the "beneficiaries."

A private trust includes: **fixed trusts with fewer than 50 members**. It can't be: a fixed trust with 50 or more members. These trusts are part of your will and become active when you die.

There are two primary types of Private Trusts: **Living (or Revocable)** and Irrevocable. A Living Private Trust can be changed and controlled. An Irrevocable Private Trust cannot be easily altered or modified.

Once property, money or other assets are transferred to the Trust, they're what's known as Trust-owned. Contrary to popular belief, assets in a Trust do not belong to the Trustees. Of course, Trustees may receive financial or other benefits for their management responsibilities, but that would be defined in the Trust and either paid out of the Trust or the estate.

All assets remain controlled by the specific rules of the Trust until its termination. Termination typically occurs when assets have been fully dispersed or otherwise depleted.

In legal terms, a Private Trust is a "fiduciary relationship" that grants a beneficiary the right to money or property. Private Trusts can survive the Grantor's death, and may also be created through direction in a Living Will.

### How Does a Private Trust Work?

A Private Trust is an estate planning vehicle that transfers control of certain assets from the Grantor to the Trustee. The Trustee then manages the assets while ensuring that certain long-term conditions remain in effect as set forth by the Grantor.

The Trustee carries out the wishes and instructions of the Grantor as noted within the Trust document. Trustees have the job of managing the assets within the Trust for a specified time period and then allocating them to the beneficiaries according to the directions within the Trust. In many cases, the Trust continues to be active long after the Grantor has died.

### How to Create a Private Trust

Creating a Private Trust can be fast and easy. It begins with the Grantor penning a Declaration of Trust (Trust Agreement). This is also known as Executing a Deed (called a Trust Deed). The written document outlines the conditions that relate to the management and control of assets. It also assigns specific beneficiaries and identifies the Trustee or Trustees.

Next, the Trust must be funded. This involves the Grantor simply transferring assets to the Trust. Assets commonly controlled by a Trust can include real estate, cash, life insurance policies, stocks & bonds, motor vehicles, antiques, watercraft and private and intellectual property.