



fbcg THE FAMILY BUSINESS
CONSULTING GROUP

The Science and Art of Family Business Trusts

Glossary of Terms

- **Trust** – Sets forth the duties, rules and obligations of the Trustee, as well as beneficiaries' rights and obligations. Divides ownership into a legal owner and a beneficial owner.
- **Grantor** – Generally the person who establishes the trust. In some cases, someone who transfers assets into the trust is a Grantor for income tax purposes.
- **Trustee** – The person(s) responsible for managing assets, making distributions according to the terms of the trust, and handling management and administration. Has fiduciary duties on behalf of the beneficiaries.
- **Beneficiary** – Person(s) receiving the benefit of trust assets. Often more than one beneficiary and future beneficiaries that are not yet born.
- **Trustee Succession and Replacement Clause** – Sets forth how and when a beneficiary can remove a trustee, and how a trustee is replaced after resignation.
- **Revocable Trust** – Can be canceled or changed by the grantor during their lifetime. Generally created to avoid probate court.
- **Irrevocable Trust** – Usually created to relieve the owner of ownership for tax and legal purposes. Many families create these to avoid inheritance taxes and, if that is the primary reason, the grantor must give up control of the assets. Cannot be terminated during the grantor's lifetime.

