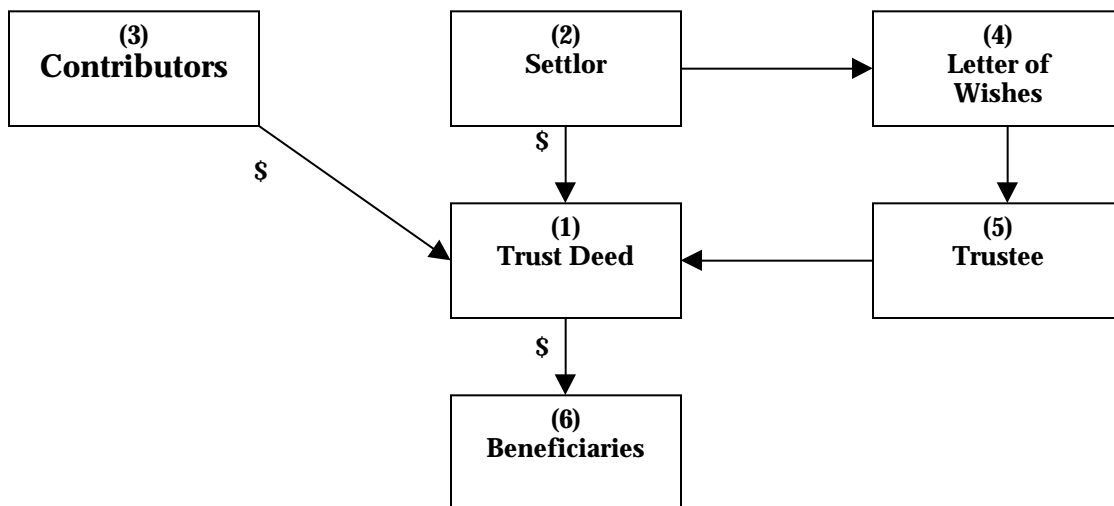


THE TRUST STRUCTURE

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A Trust is a legal relationship rather than a legal person and is one of the oldest means of preserving both income and capital. The modern use of Trusts actually dates back to their use by the Knights prior to embarking on Crusades and remains a viable method of tax, estate and asset protection planning today. A Trust is created (the settlement) when a person (the Settlor) gives (settles) an asset to another person or persons (the Trustee) for the benefit of a third person or group of persons (the Beneficiaries). In this trust structure, the Settlor will also appoint another person or persons, called a Protector, who acts as a “watch dog” over the Trustee. The Protector will have specific powers, such as to replace the Trustee and to add or change Beneficiaries.



1. **Trust Deed:** Document which establishes and settles the Trust.
2. **Settlor:** Person who settles the Trust.
3. **Contributors:** Persons who make further capital contributions, or settlements, to the Trust after its establishment.
4. **Letter of Wishes:** Guidelines to Trustee and Protector with respect to investments, adding or deleting beneficiaries, distributions of capital and winding up Trust.
5. **Trustee:** Professional trustee which directs all activities of the Trust.
6. **Beneficiaries:** Persons who are entitled to receive monies and other benefits from the Trust.

Canadian law provides that a Trust is resident where its Trustees, or the majority of the Trustees, are resident.

Trusts are very effective methods of estate planning.

A trust is usually established as a discretionary trust and as such will offer unique opportunities for income splitting and tax planning, both *inter vivos* and on death. These trusts encompass a multitude of variations but generally provide that property be held by a trustee who is given power to make a wide variety of discretionary decisions with respect to the trust income and capital. This can include the power to decide if income from the trust will be paid out or capitalized and, if paid out, how much and in what