**Chapter 28 Trusts**

1. When a trust is created, the legal title in a particular item of property is separated from the equitable or beneficial title in the same property.

2. The person who establishes a trust is called either the settler, the trustor, the grantor, or the donor.

3. The property that is held in trust may be called either the corpus, the trust res, the trust fund, the trust property, or the trust principal.

4. A testamentary trust is created by will. It comes into existence only on the death of the testator.

5. Inter vivos trust.

6. In a conveyance in trust, the settler conveys away the legal title to a trustee to hold for the benefit of either the settler or another as beneficiary.

7. In a declaration of trust, the settlor declares in writing that he or she is holding the legal title to the property as trustee for the benefit of some other person to whom he or she now conveys the equitable title.

8. The advantage of an irrevocable trust is that the income from the trust is not taxable to the settlor; the trust itself or the beneficiaries pay tax on the trust's income. Such a trust has a disadvantage, however, in that it may never be changed.

9. For a charitable or public trust to be valid, the person to be benefited must be uncertain.

10. The advantage of a sprinkling or spray trust is that the trustee can determine the tax brackets of the beneficiaries and pay less taxes by giving more money to those beneficiaries in the lowest tax brackets.

11. A resulting trust arises when a transfer of property is made to one person, but the purchase price for the property is paid by another person. A constructive trust is imposed by law to avoid the unjust enrichment of one party at the expense of the other when the legal title to the property was obtained by fraud.

12. The term "pour-over trust" is a misnomer because it is not a trust; rather, it is a provision in a will leaving a bequest or devise to the trustee of an existing living trust.

# Understanding Legal Concepts

1. T 6. T

2. T 7. T

3. F, testamentary 8. T

4. F, conveyance in 9. F, constructive

5. F, irrevocable 10. F, express

# Checking Terminology (Part A)

1. s, v 5. w 9. m 13. x 17. r

2. i, aa 6. f 10. j 14. h 18. g

3. u 7. o 11. n 15. y 19. k

4. z 8. b, p 12. a, l, q, d 16. t 20. e, c

# Checking Terminology

1. g 4. k 7. e 10. q, t 13. b, l, m

2. c, d, i, u 5. h 8. a, s, v, w, x 11. f 14. j

3. r 6. o 9. n 12. p

# Using Legal Language

Leon decided to put $10,000 in **trust** for the benefit of his daughter, Lois. He created a(n) **living trust**, which is also known as a(n) **inter vivos trust**, while he was alive by the use of an instrument called either a(n) **trust deed** or a(n) **trust indenture**. It was not called a(n) **testamentary trust** because it was not created by will. Because Leon transferred legal title to the money to another, the transaction was known as a(n) **conveyance in trust** rather than a(n) **declaration of trust**, which it would have been called had he retained legal title to the money. Leon could rescind this trust whenever he wished; therefore, it was known as a(n) **revocable living trust** rather than a(n) **irrevocable living trust**. Because he established it, Leon could be referred to as either the **settlor**, the **trustor**, the **grantor**, or the **donor**. Lois was known as the **beneficiary (or cestui que trust).** Leon's wife, Laura, was given legal title to the money; therefore, she was called the **trustee**. The money itself could be termed either the **corpus**, the **trust res**, the **trust fund**, the **trust property**, or the **trust principal**. Called a(n) **spendthrift trust**, the instrument was designed to provide a fund for Lois, yet at the same time protect against her improvidence because she was a(n) **spendthrift**—that is, one who spends money profusely. It was not a(n) **charitable trust** or **public trust** because it was not for charitable purposes; thus, the rule known as the **rule against perpetuities** was applicable. Leon did not give Laura discretion in the trust to decide how much would be given to different beneficiaries. For that reason, this was not a(n) **sprinkling trust**, or a(n) **spray trust**. Because the trust did not arise by implication of law from the conduct of the parties, it was not either one of the **implied trusts**—that is, a(n) **resulting trust** or a(n) **constructive trust**. In addition, because it did not arise from the use of polite language in a will, it was not a(n) **precatory trust**.

**Puzzling Over What You Learned**

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*Caveat:* Allow squares for spaces between words and punctuation (apostrophes, hyphens, etc.) whenfilling in crossword.

**Across**

1. Full, absolute ownership.

1. Person who establishes a trust.
2. The right to beneficial enjoyment.
3. One for whose benefit a trust is created.
4. Person who holds legal title to property in trust for another.
5. The body, principal sum, or capital of a trust.
6. A person who establishes a trust.
7. One for whose benefit a trust is created.
8. The body, principal sum, or capital of a trust.
9. The body, principal sum, or capital of a trust.

**Down**

1. The right to beneficial enjoyment.
2. Right of ownership to property held by one person for another.
3. A trust that allows the trustee to decide how much to give each beneficiary.
4. A trust that is created by will.

8. A person who establishes a trust.

11. A person who establishes a trust.

1. The body, principal sum, or capital of a trust.