

## ***How to Establish a Blind Trust***

A blind trust is a type of living trust in which the grantor and beneficiary have no control over or knowledge of the assets in the trust or how they're being managed. A third-party trustee, who can be an individual or an institution, has full control of the trust assets and does not communicate with the grantor or beneficiary about what is being bought and sold within the trust. A blind trust can be revocable, meaning the grantor can change it later, or irrevocable, meaning it can't be modified or terminated.

At first, the idea of putting assets into a trust and then relinquishing all knowledge and control of those assets might sound crazy. But in a few situations, this arrangement makes perfect sense. In this article, we'll discuss why someone might want to establish a blind trust and how to do it.

## ***How to Blind Trust Works***

To avoid potential conflicts of interest, a federal official might set up a blind trust to manage private assets that he or she and his/her spouse and dependent children own. Since a perceived or real conflict of interest could arise if that official is involved in legislation that affects his or her investments, placing those assets in a blind trust, especially an irrevocable one, is supposed to allow the official to act impartially and in the best interests of constituents. The official's supervisory ethics entity must approve the blind trust and the choice of trustee. Federal law doesn't require federal officials to use blind trusts, but it does regulate how they establish and maintain them.

## ***Reasons to Establish a Blind Trust***

Another circumstance that inspires people to set up blind trusts: suddenly coming into a large, unexpected sum of money and wanting to keep the matter private.

## ***Our Views of Blind Trust***

Blind trusts create a layer of separation between the grantor's assets and professional or political activities that helps to eliminate real or perceived conflicts of interest and accusations of wrongdoing. Individuals who receive a windfall can also use them to maintain financial privacy.

But if you're thinking about establishing a blind trust, you need to carefully consider whether the benefits of independence and removal of oversight outweigh the drawbacks of loss of control and information, especially if the blind trust will be irrevocable.