What Is Trust Property?

Trust property is also referred to as "trust assets" or "trust corpus".

Trust property refers to assets that have been placed into a fiduciary relationship between a trustor and trustee for a designated beneficiary. Trust property may include any type of asset such as cash, securities, real estate, or life insurance policies.

Understanding Trust Property

Trust property is typically tied into an estate planning strategy used to facilitate the transfer of assets and to reduce tax liability. Some trusts can also protect assets in the event of a bankruptcy or lawsuit.
The trustee is required to manage the trust property in accordance with the trustor's wishes and in the beneficiary's best interests. A trustee can be an individual or a financial institution such as a bank. A trustor sometimes called a "settlor" or "grantor" can also serve as a trustee managing assets for the benefit of another individual.
Regardless of the role a trustee plays, the individual or organization must abide by specific rules and laws that govern the functioning of whichever type of trust is established. Once property has been transferred to a trust, the trust itself becomes the rightful owner of the assets. In an irrevocable trust, the assets can no longer be controlled or claimed by the previous owner.

Trust property refers to the assets placed into a trust and are subsequently controlled by the trustee on behalf of the trustor's beneficiaries. Trust property removes tax liability on the assets from the trustor to the trust itself, in some cases. For estate planning purposes, trust property will pass directly to the designated beneficiaries upon the trustor's death without probate.

Types of Trusts

There are several different types of trusts individuals can establish. But they typically fall under two categories which are revocable trusts and irrevocable trusts. In a revocable arrangement, the trustor maintains legal ownership and control of trust assets. For this reason, the trustor would be responsible for paying taxes on the income those assets generate and the trust may also be subject to estate taxes should its value breach the tax exempt threshold at the time of the grantor's death.
With an irrevocable trust, the trustor passes legal ownership of the trust assets to a trustee. However, this means those assets leave a person's property effectively lowering the taxable portion of an individual's estate. The trustor also relinquishes certain rights to mend the trust agreement. For example, a trustor usually can't change beneficiaries of an irrevocable trust after they have been established. This is not the case with a revocable trust.
A trustor may be referred to as grantor or donor in certain situations.
Trusts can be created during an individual's lifetime or they can be established following the grantor's death. This situation applies to Payable on Death (POD) trusts, which transfer assets to a beneficiary following the death of the trustor. Generally speaking, this type of trust and similar ones are called testamentary trusts because property is actually transferred following the trustor's death. Assets in these trusts flow directly to the intended beneficiaries following the trustor's death, which means they avoid the often long and expensive process of probate.
These trusts can also be outlined in a person's will.
Assets within living trusts, however, can be transferred during the trustor's lifetime. For example, several individuals open accounts in trust with banks for the benefit of their children or to help fund their college expenses.
A trustee carefully manages the assets held in the account to achieve this goal, but the children don't have complete access to the funds or the freedom to spend income from the fund as they please.
In some cases, beneficiaries such as children would have access to the trust's assets and the income they generate only after reaching a certain age.