



Chicago Estate Planning Council
330 N. Wabash Avenue, Suite 2000
Chicago, IL 60611
Tel: 312.673.4707 - cepc@smithbucklin.com



What is a trust?



A trust is a legal relationship in which an individual or a bank or trust company holds money or other property for the benefit of certain individuals or charities (“beneficiaries”) subject to the terms of the trust. The person who creates the trust (the “settlor”) transfers legal ownership of property to the trustee so the trustee can hold and manage the property for a specified period of time (which may be forever, if the trust is an Illinois qualified perpetual trust) for certain specified purposes. The trustee agrees to hold and manage the property for the benefit of the beneficiaries specified by the settlor in the written agreement, usually referred to as a “trust agreement” or “declaration of trust,” subject to the terms of the trust agreement. The trustee has a legal duty to administer the property as required by the trust agreement and state law. The trust may be created during the settlor’s life (for example, a “living trust”) or may be created upon the settlor’s death (a “testamentary trust”).

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