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# Empowered inheritance: Limited powers of appointment and generational wealth

## Balancing control and flexibility in estate planning

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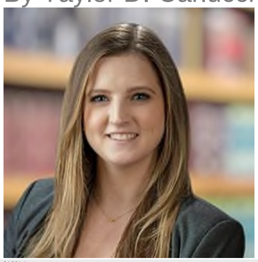

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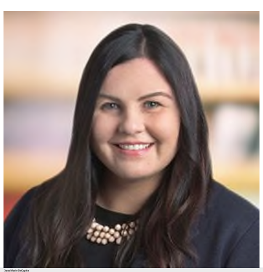
The resounding financial goals of many high-net-worth families center around the growth, preservation and eventual methodical transition of wealth to future generations. Coupled with strategic asset management, customized estate planning can create the roadmap necessary to accomplish these objectives.

A revocable trust is a popular and basic estate planning instrument used to provide beneficiaries asset protection, tax efficiency, and probate avoidance upon the death of the creator (Grantor) of the trust. Upon the death of the Grantor the trust becomes irrevocable, seemingly cementing the provisions of the trust. However, there are a multitude of provisions that can be added to the trust for future flexibility.

A limited power of appointment is one powerful tool that grants a trust beneficiary the ability to direct inherited assets among a predefined class of individuals upon the beneficiary’s death. For example, a Grantor creates a trust for the benefit of his two children, Ross and Monica. The Grantor includes a limited power of appointment whereby each Ross and Monica, through their own respective estate plans, can reallocate their inheritance to any individual in the Grantor’s bloodline (i.e. Ross, Monica, children and more remote descendants of Ross or Monica).



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Ross does not have children and desires for his unused inheritance at the time of his death to benefit Monica’s child, Jack, rather than Monica – who is independently wealthy. Ross exercises the power of appointment in favor of Jack, and upon Ross’s death, Jack is the immediate beneficiary of Ross’s portion of the trust.

This example illustrates the principal benefit of a limited power of appointment—the allowance for future flexibility and adjustments based on financial needs of family members and circumstances unforeseen at the time of the creation of trust. However, by stipulating a limited class of bloodline beneficiaries as permissible appointees, the Grantor prevents the appointment of wealth outside of the family bloodline.

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