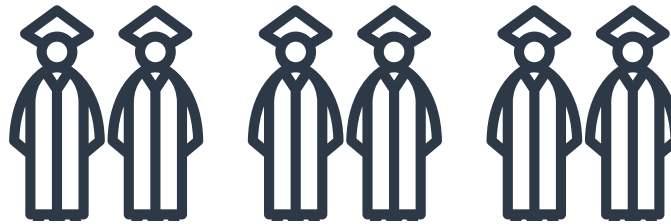


Perpetual Education Trusts™

Fueling the Minds of Loved Ones for Generations to Come

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Key Takeaways:

- A Perpetual Education Trust™ is relatively easy to create with the help of an estate-planning attorney.
- An initial investment of \$750,000 to \$3 million per grandchild could potentially fund education costs for three generations or more.
- The trust's structure may provide opportunities for you to influence the lives of your distant descendants by providing them with a quality education.

If you're thinking of setting money aside for your children's and grandchildren's education, that's great—do it. Every child deserves a world-class education that allows him or her to reach full potential and gain the skills and grounding needed to succeed in adult life. You have several options at your disposal including a state-administered 529 college savings plan or a Uniform Gift to Minors Account (UGMA).

But what if you want to give even more generations a leg-up in life? What can you do then? A Perpetual Education Trust may be the answer.

What is a Perpetual Education Trust?

A Perpetual Education Trust is a single-purpose “dynasty” trust where the funds are used to cover the education costs of your descendants. The main benefit of this trust is that it ensures the money is used for its intended purpose. With a multipurpose trust, other distributions could potentially whittle-away assets, leaving no money for the education of the third or fourth generation after your children.

The decision to use a Perpetual Education Trust is a personal one that depends on your goals, estate plan and charitable endeavors. Some people consider a quality education to be the most important thing they can give their descendants—in addition to healthcare. Others believe funding a public-interest charity to improve education for many unrelated people is more appropriate, especially when they consider the minimal connection between them and family members who won't be born for fifty years or more. Keep in mind it's not an either-or situation. It's possible to do one or all of these things at the same time with different vehicles.

Let's take a closer look at Perpetual Education Trusts to help you decide if they make sense for you.

How long does a Perpetual Education Trust last?

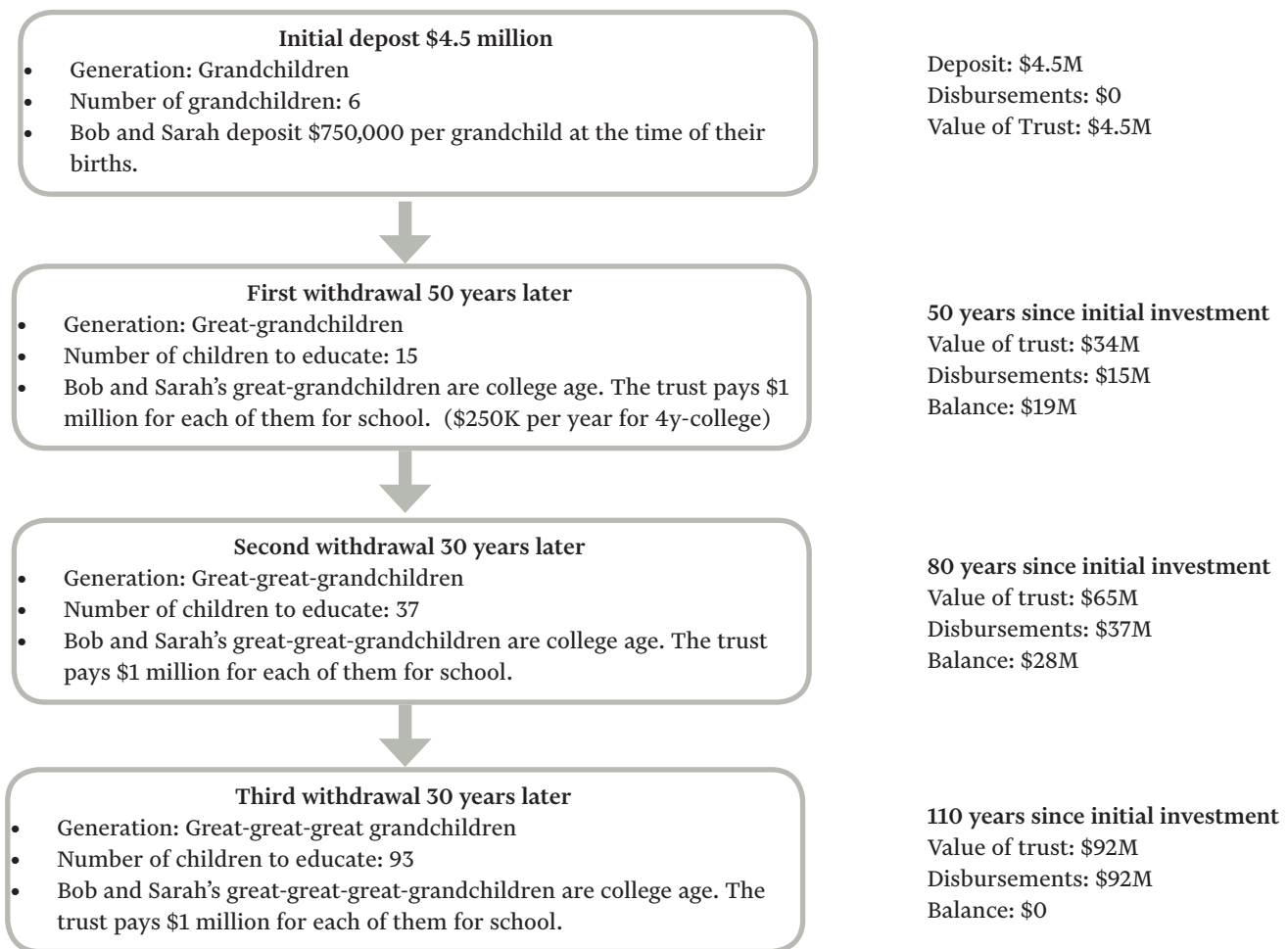
The long-term economic viability of the trust depends on many factors, including:

- Your initial investment
- The net annual rate of return after fees, taxes and expenses
- The number of children in each generation, and the age at which each generation has its children

The trust’s design, such as types of education funded and distribution requirements, also plays a role. For example, you may need to invest \$750,000 per grandchild to fund four years of private-college for multiple generations. However, funding 15 years of private school (grade school, high school and college) might require an initial investment of \$2 to \$3 million per grandchild.

To better understand how these factors might affect the trust, let’s look at a hypothetical example.

Bob and Sarah establish a Perpetual Education Trust to pay for the college education of their great-grandchildren and future generations. They plan to cover their grandchildren’s school-related expenses from other sources. Assuming the trust grows 1.5 times every ten years, after taxes and fees, here’s how long the trust might last.



Note: The cycle can repeat every 30 years as long as there are sufficient assets to cover the costs. This example assumed a net annual return of 4.5%, which only generated enough money to fund three generations. Actual results will vary based on your personal circumstances and the factors mentioned earlier.

What are the key considerations for Perpetual Education Trusts?

Before establishing a Perpetual Education Trust, you'll want to give careful thought to:

- **Governance.** Who will be the trustee with authority to make payments? What flexibility will that trustee have to determine whether a given payment fits the intent of the trust, as you define it today? How will that trustee be replaced as the decades advance? Who in your family, if anyone, will have the right to oversee the trust? How will the trust evolve as the world evolves and the meaning and method of education with it?
- **Payment limits.** Do you want to limit the support for each descendant? Some may want to attend graduate school, and if many do, your trust could run out of money before getting beyond two or three generations. A limit could help extend the life of the trust and keep descendants from becoming perpetual students on your nickel.
- **Education types.** What is the most important level of education for you to fund? Is it the first years - pre-school and elementary school - or college and beyond, or even trade school? What's necessary to give your descendants the best foundation for a successful career and to realize their full potential?
- **Your values.** Some people worry their descendants may use the money to grow in a direction they wouldn't support. It may be possible to address this concern by creating a trust that communicates to distant descendants the values and principles that are important to you, and the hard work and success that created the money in the trust. This approach might help guide your descendants to grow in a way that reflects your values.

At the same time, be careful to include flexibility in your instructions within, or next to, the trust. The world will change; education will change; your descendants' then-current needs will change, maybe to a large degree. Plus, the trust could end up with more than sufficient funds to cover education expenses, meaning any excess would have to be redirected for other purposes. Be sure to empower the trustee to be compassionate toward future generations whose needs may not be predictable today. Adding this flexibility could help reinforce the ultimate purpose of the trust: to help descendants achieve their definition of success, whatever that may be.

Let's talk

Cerity Partners has broad experience designing and building vehicles such as those described above and will work closely with you to help ensure your objectives are achieved long after you're gone. Contact us to learn more about Perpetual Education Trusts and how we can help you create long-term investment portfolios tailored to your situation.

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