

Building Wealth Wisely

DIVERSIFIED TRUST CASE STUDY

SCENARIO

The matriarch and patriarch of the Rogers family had previously established multiple trusts for their adult children. Now, they are seeking ways to benefit their children directly and to help them build ownership of assets that are in their full control.

They liked the idea of supporting home ownership and were willing to provide loans to their children for the purpose of acquiring residences. They also wanted to provide their children with the ability to live in locations that enhanced their access to quality schools, good employment options and other factors that could improve their quality of life.

Diversified Trust was able to help them find a solution that provided benefits for all.

OUR APPROACH

EVALUATING LOAN OPTIONS

We helped the Rogers and their children evaluate loans of differing amounts with different terms. We compared these options, which were based on the Applicable Federal Rates published by the IRS, against the generally higher rates that were offered by traditional mortgage lenders.

ADMINISTERING THE LOANS

We worked with their attorney to prepare the purchase agreements and related mortgage documents. Once the purchases were made we tracked the mortgage assets within the Roger's accounts and the mortgage liabilities within the children's accounts. We also provided annual reporting for tax purposes.

ONGOING REVIEW WITH FAMILY MEMBERS

Conversations regarding the balances became a regular part of account reviews. Progress toward repayment of the debts can now be readily observed and compared against the current values of the residences.



The Rogers family finds a productive way to help younger generations grow their personal wealth.

RESULTS

The Roger's children have all acquired new homes that perfectly match their lifestyles. Thanks to the Roger's willingness to serve as lender, their children are now building wealth through home ownership at favorable terms. We estimate that the time and cost of fully owning their homes will be greatly reduced when compared to traditional mortgage loans/lenders.

Each child was able to take advantage of loan terms that fit their personal circumstances. For some that meant a shorter borrowing horizon and for others it meant taking advantage of the lowest monthly payments. All of the children are pleased with the progress that is being made towards owning their homes outright.

The Rogers view their loan investments as a subsidy with tremendous benefits. While the loans provide interest that is well below traditional bonds, they believe that the benefits to their children far outweigh the reduction in personal income.