How to Benefit from New Hampshire's Trust Laws

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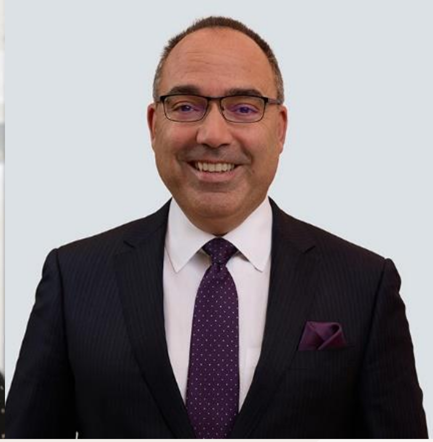
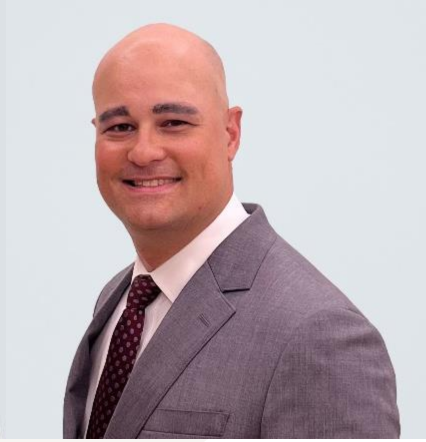


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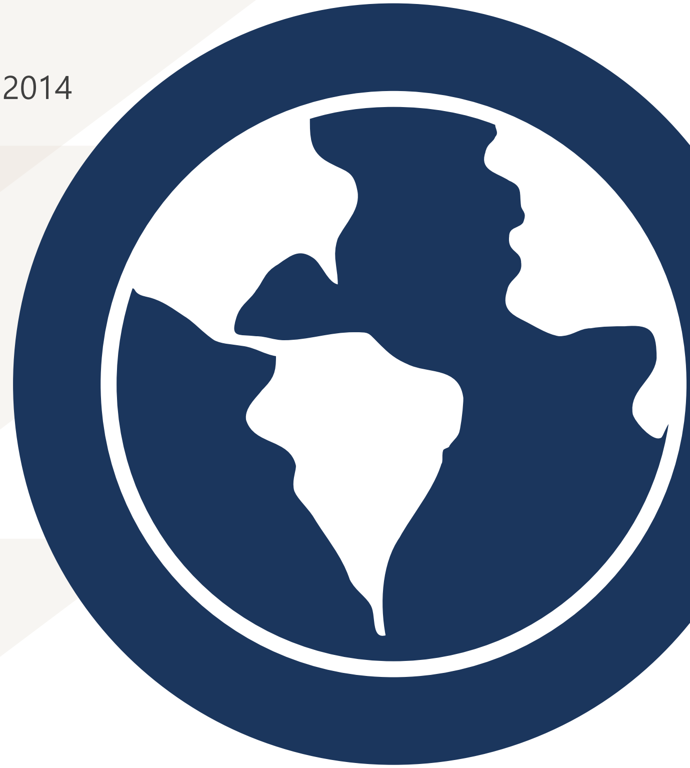
Fiduciary Trust Overview

Experienced professionals focused on your best interests

- Fiduciary Trust of New England received New Hampshire trust charter in 2014
- Affiliate Fiduciary Trust Company founded in 1885 as a family office
- Serve over 100 third-party advisors across the country
- Private, long-term ownership
- $34 billion in client assets under supervision
- 98% average annual client retention rate
- Recognized for Best Fiduciary / Trustee Service and Best Estate Planning Advisory Service by *Private Asset Management*



Note: Figures reflect aggregation of Fiduciary Trust Company and Fiduciary Trust of New England. Data as of September 30, 2025.

FIDUCIARY TRUST OF NEW ENGLAND

What Makes Fiduciary Trust Distinctive?

Personal service coupled with extensive expertise

A flexible offering to meet your needs

- Can serve as trustee of trusts established in most states or assist with migration to NH
- Offer delegated and directed trusts where we are responsible for distributions and a third party manages investments
- Can serve as a sole corporate trustee or a co-trustee
- Experienced with complex trusts and illiquid assets

New Hampshire: Arguably the best trust jurisdiction

- No state income or capital gains tax on irrevocable trusts meeting certain criteria
- Asset protection provisions, Directed Trusts, Quiet Trusts
- Trust modification statute (unique to NH)
- Sustainable investing permitted (one of the few states)

Supported by a top-notch trust and estates legal team

- 12-member legal team; most attorneys having partner-level private practice experience
- Expertise enables us to identify opportunities as trust and tax laws and client circumstances change
- Deep bench enables us to make timely, well-informed distribution decisions

A firm with permanence that you can trust

- 140-year history of serving in a fiduciary capacity for high-net-worth and ultra-high-net-worth families
- Financial strength and stability, as demonstrated by 80+ consecutive years of profitability
- 20+ years average industry experience of professionals
- 98% average annual client retention rate

Note: Information based on Fiduciary Trust of New England, combined with its Massachusetts affiliate, Fiduciary Trust Company

Topics for Discussion

- The key benefits of NH's trust laws, including tax savings, asset protection, perpetual trusts, sustainable investing, and trust modification
- For Financial Advisors: Growing your practice through trust services
- How the One Big Beautiful Bill impacts trusts and estate planning
- Examples of how these trust laws have benefited families

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New Hampshire Advantages Overview

No Tax	• No state income tax on accumulated income or capital gains in non-grantor, irrevocable trusts
Progressive Trust Laws	• Perpetual or “dynasty” trusts • Self-settled domestic asset protection trusts • Quiet trusts • Civil law foundations (NH was the first state to allow) • Private trust companies • Directed trusts • Decanting
Administrative Flexibility	• Total return trusts and power to adjust • Virtual representation • Sustainable Investing • Trustee modification by statute without beneficiary consent • Pre-mortem validation • Adoption of many Uniform Trust Code elements, including the Principal and Income Act • Non-judicial settlement agreements
Dispute Resolution	• Dedicated trust court

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Tax Benefits of NH Trusts

Non-Grantor Irrevocable Trusts	No NH interest, dividend, or capital gains tax No NH tax on accumulated income No NH filing requirement for these trusts, however they are subject to Federal taxation Distributed income: taxed to the beneficiary according to the rules of their state of residence
Grantor Trusts	Taxed to the donor

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Self-Settled Asset Protection Trusts

Guiding Premise: A beneficiary's interest in a trust, even an irrevocable trust established by the donor, is not a property interest

Donor	May be a discretionary beneficiary May retain a limited power of appointment over the assets
Asset Protection Features	General rule: trust assets are protected from most creditors four years from the date the assets are transferred into the trust, or, for creditors that exist at trust funding, one year after the creditor knew or should have known of the transfer Exceptions: child support and basic alimony claims Exception creditors can only attach present or future trust distributions
Trustee	Need not be a NH resident or trust company However, it is usually helpful to name a NH trustee to solidify a strong nexus with NH and thus limit the number of states in which creditor claims may be brought

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Quiet Trusts

Shhh…quiet trusts can preserve privacy

Traditional Trusts	In many states, including NH, under certain circumstances trustees must give beneficiaries notice of: • A trust's existence • Trustee names and contact information • In some cases, additional information such as a copy of the trust document
New Hampshire "Quiet" Trusts	In NH, this default notice rule can be overridden by the trust's terms A trust instrument can eliminate any part or all of the beneficiary notification requirements and other reporting requirements Trust must include the terms of giving notice (or lack thereof) in the instrument The trust can also designate a "notice recipient" to determine who receives notice instead of being required to send notices to the "qualified beneficiaries" otherwise required by statute

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Civil Law Foundations: A Vehicle for Global Wealth Management

In 2017, NH became the first state to allow creation of civil law foundations by statute

Overview	Civil law foundations are wealth management vehicles that include features of corporations and limited liability companies, but act like a trust These structures are utilized in many civil law countries instead of trusts (which are not recognized legal entities in many of those countries) to manage, protect and distribute family wealth
Benefits	Foundations allow assets to be held independently from the founders, directors and beneficiaries Foundations can exist in perpetuity A private trust company can be organized as a foundation Civil law foundations can be a great way for international clients to hold and manage wealth
US Taxation of Foundations	For US tax purposes, a foundation is generally treated as a trust for tax purposes as long as it does not carry on business or commercial activities and its primary purpose is to preserve and manage its assets for its beneficiaries

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Directed and Divided Trusts

A truly modern way to administer trusts

Overview	**Divided trust**: Different fiduciaries carry out tasks without interacting with other fiduciaries **Directed trust**: One fiduciary is directed by another to take an action regarding the trust (ex: investment advisor directs the trustee to sign documents)
Benefits	Allows for division of trust administration tasks and responsibilities Allows for an "open architecture" approach to trust administration Fiduciaries are only liable for their own responsibilities, so are "excluded" from liability of other fiduciaries (different from a "delegation")
Examples of Fiduciaries	Trust protectors Trust advisors Investment advisors Distribution advisors Custodian of assets Notice recipients
Permitted by Statute	Directed and divided trusts are allowed by NH statute NH case law further supports directed trusts (Shelton v. Tamposi case)

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Total Return Legislation in NH

NH laws support total return investing, which can be valuable in a low-rate environment

Unitrust Conversion	After a trust is converted to a unitrust, "income" includes principal totaling 3-5% of the fair market value of the trust
Power to Adjust	This power allows a trustee to transfer principal to income to allow a total return payout to beneficiaries A trustee does *not have an affirmative duty* to adjust between income and principal, so cannot be held liable for his or her action or inaction

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Pre-Mortem Validation of Trusts

Another feature aligned with carrying out donor intent

Process for Pre-Mortem Validation	By NH statute, a donor may initiate a suit to prove the validity of a trust This statute is consistent with NH trust law's goal of carrying out donor's intent If a donor anticipates a challenge to his or her estate plan, this is a useful tool in confirming the validity of a trust and clarifying the donor's intent
Additional Limitations on Trust Contests	An action contesting the validity of a trust may not be brought more than: • Three years after the donor's death • Three years after certain information is sent to the trust beneficiary • Three years after certain information, including a copy of the trust, is sent to the potential contestant

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Trust Modification Tools

A study in flexibility and efficiency

Decanting by Statute	NH statute allows for transfer of assets from one trust to another trust In some states there is no statute; reliance on case law instead Any limits on decanting are reasonable, e.g., cannot add beneficiaries or eliminate beneficiaries with vested interests *New Hampshire allows decanting even if distributions of principal are limited* However, decanting must be consistent with donor intent and not undermine a material purpose of the trust
Statutory Trustee Modification	Allows trustees to amend administrative provisions in trust without beneficiary consent Reasonable limits on modifications (similar to limits on decanting) Modifications must be consistent with donor intent
Non-Judicial Settlement Agreements	Allows interested persons to enter into a binding agreement regarding provisions in a trust, including construction of trust terms, termination or modification of a trust
Trust Court	A specialty trust court was established in NH in 2014 to hear only trust litigation cases

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Options for Accessing NH’s Trust and Tax Advantages

NH trusts are available to grantors and beneficiaries nationwide and globally

Establish a New Trust

- Create a new trust naming a NH trustee and applying NH law to establish NH situs

Change an Existing Trust Situs

- Relocate a trust’s situs from another state to NH
- Appoint a NH trustee
- Ability and process for changing situs varies by state and trust terms

Decant a Non-NH Trust to a New NH Trust

- Decant assets from an existing trust to a new NH trust with similar terms
- Ability to decant varies based on trust instrument and applicable state laws, but ideally would decant under NH law, with a NH trustee

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- A NH trustee (such as Fiduciary Trust of New England) enables access to the NH tax and trust law advantages

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One Big Beautiful Bill Act (OBBBA)

Significant Changes to U.S. Tax Code

Gift, Estate and GST Tax Exemptions	• Permanently increases gift, estate and generation-skipping transfer (GST) tax exemption • $15 million per person ($30 million for married couples) beginning in 2026 • Adjusted for inflation beginning in 2027
Qualified Small Business Stock	• Reduces minimum holding period to 3 years (with a 50% and 75% exclusion if held for 3 or 4 years, respectively) • Increases qualifying C corporation asset limit to $75 million (up from $50 million) • Increases the capital gains exemption cap to $15 million • Effective for stock issued on or after July 4, 2025
Misc. Itemized Deductions	• Set to sunset on December 31, 2025 under the Tax Cut & Jobs Act • Permanent repeal of Code 212 miscellaneous itemized deductions • Lender Management v. Commissioner (2017 U.S. Tax Court case)
SALT Deductions	• Increases the SALT deduction cap from $10,000 to $40,000 (beginning 2025) • Phase out for individuals with income over $500,000 • Cap and the income limit will increase by 1% per year from 2026 through 2029 • Reverts to $10,000 in 2030 • Pass through entity tax deduction can still be used

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Example: Reducing State Tax Exposure

Income and capital gains retained in NH irrevocable, non-grantor trusts are not subject to state taxation

Client Context	• Massachusetts resident irrevocable non-grantor trust • Purchased tech stock for $100,000 • Has a $1,000,000 unrealized capital gain
Challenge	• Minimize capital gains tax upon sale of tech stock
Approach	• Move trust from Massachusetts to New Hampshire • Only a NH trustee is named • Trust sells tech stock and realizes $1,000,000 in capital gains • No state capital gains tax on the sale of stock as the proceeds were retained in the trust

Note: Example is not an actual client, but is an illustrative example based on the experiences of various clients

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Example: Amending a "Broken" Trust

In many situations, a trust can be migrated to NH to amend out-of-date provisions

Client Context	• Irrevocable, non-grantor trust • Massachusetts trust situs and MA trustee • No New Hampshire trustee
Challenge	• Low interest rate environment is resulting in lower income distributions to beneficiaries than originally anticipated • Trust provisions do not allow principal distributions until the youngest beneficiary reaches age 35
Approach	• The trustee resigns, a NH trustee is appointed and situs is changed • Trust is decanted to a new trust that allows for principal distributions • New trust may also contain directed trust provisions –Provided that it does not undermine the intent of the original trust and stays within NH trust law parameters –Separate trustee, trust protector, and investment advisors can be designated –Each can carry out duties without oversight of other fiduciaries • NH trust situs results in no state income or capital gains tax if income and gains are retained in the trust

Note: Example is not an actual client, but is an illustrative example based on the experiences of various clients

Example: Dedicated Trust Court

It can be advantageous to resolve issues involving a NH trust in the NH trust court

Client Context	• Obtaining a well informed decision regarding a beneficiary's interest in a trust in the event of a beneficiary's divorce
Challenge	• Keeping separate assets from comingling with marital assets during marriage and protected in the event of divorce
Approach	• Establish and fund an irrevocable NH asset protection trust prior to marriage with separate assets • The trust can be established for the benefit of the client and future issue, providing for generational succession in addition to asset protection from creditors • In the event of divorce, certain issues regarding the trust could be brought to the NH court and provide for a well-informed decision from a judge well versed in NH trust law

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Q&A

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