

# ASSET PROTECTION TRUSTS

In all, fifteen states now have statutes that allow for the creation of domestic asset protection trusts. A valuable estate planning tool, these specific trusts can be an excellent way for high net-worth individuals to legally shield their assets from lawsuits, bankruptcy, divorce, or other fiscal misfortunes.

Domestic asset protection trusts (DAPTs) are also known as a “self-settled” trusts because they are created by the party that they benefit. Such trusts can protect any assets in them—money, collectibles or real estate—from the future claims of creditors or litigation, unlike traditional grantor trusts that do not provide this protection.

Tennessee has been recognized as one of the best states in which to situs a DAPT and was named among the six top tier states for best DAPT legislation in a January article published in *Trusts & Estates* magazine. In Tennessee, certain requirements must be met in order to establish a DAPT, including:

- The trust must be irrevocable.
- The trust document must contain spendthrift provisions.
- Trustee must be a Tennessee resident or Tennessee bank or trust company.
- The settlor cannot serve as trustee.
- At least some of the trust assets must be maintained in Tennessee.

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