

Trusts

A way to organize your assets and shape how they reach your family.

A guide for federal employees and retirees in Puerto Rico and the United States.

What is a trust?

- 01 A legal arrangement that sets out who manages certain assets and who receives their benefits.
- 02 Grantor (fideicomitente): the person who creates it and contributes assets.
- 03 Trustee (fiduciario): the person who manages the assets according to the instructions.
- 04 Beneficiaries: the people who receive the income or the assets.

The document, the governing law, and the assets actually transferred into it determine how it works.

How it works in real life

- 01 A mother creates a trust to manage assets set aside for her children.
- 02 The document names the trustee and sets the conditions for distributions.
- 03 Assets are legally transferred into the trust. Signing the document alone does not transfer every property.
- 04 In the event of incapacity or death, the trustee acts within the powers and conditions agreed upon.

Retirement accounts and their beneficiaries need a separate review. They are not automatically retitled to the trust.

Revocable and irrevocable

- 01 Revocable: can be changed according to its terms. Commonly used for asset management and succession.
- 02 Irrevocable: limits changes and access to the assets. Certain structures may protect beneficiaries' interests.
- 03 Protection depends on who contributed the assets, who can receive them, and the jurisdiction.

Irrevocable does not mean absolute protection. The control and benefits you keep may allow your creditors to make claims.

Benefits for federal families

- 01 Can make it easier to manage assets during an incapacity.
- 02 Lets you set instructions for minors or family members who need help managing an inheritance.
- 03 In states where it applies, may avoid court probate for assets that were properly transferred.
- 04 Works alongside beneficiary designations for insurance, accounts, and federal benefits.

In Puerto Rico, local formalities and inheritance rules apply. Creating a trust does not eliminate every legal step or potential dispute.

Benefits during your retirement

- 01 You can name who will manage the trust's assets if an illness or incapacity prevents you from doing so.
- 02 The trustee can pay authorized care expenses from trust assets, as the document allows.
- 03 You can organize how property and other assets are used for your needs and your family's support.

A trust manages the assets placed in it. On its own, it does not create additional income, guaranteed returns, or a new pension.

Example: continuity in your retirement

- 01 A retiree transfers an eligible investment account into her trust and names a successor trustee.
- 02 If she can no longer manage her affairs, the successor can handle authorized care and housing payments, as the document and the law allow.
- 03 After her death, the trustee follows the instructions for the beneficiaries. Accounts and property outside the trust need their own review.

Educational example. The trustee's authority depends on the structure and applicable formalities. TSP, FERS/CSRS and IRAs require separate coordination.

A lawsuit against the trust's creator

- 01 Example: you are sued and your home is in your revocable trust. Generally, the trust does not stop your creditors from claiming those assets.
- 02 If you set up an irrevocable trust for your own benefit, your access rights may affect its protection.
- 03 Transferring assets to hinder creditors can be challenged.

Educational example. The law of the jurisdiction and exemptions specific to the asset can change the outcome.

A lawsuit against an heir

- 01 Example: a mother leaves assets in a trust for her son, and later the son is sued.
- 02 A creditor-protection clause, known as a spendthrift clause, may limit access to his interest.
- 03 There can be exceptions, such as support obligations. Money he has already received may lose that protection.

A direct inheritance and an interest held in a trust may be treated differently. Protection against every claim is not guaranteed.

What happens in a divorce

- 01 The creator's divorce: placing marital assets in a trust does not erase a spouse's rights.
- 02 An heir's divorce: certain structures may help keep an inheritance separate. The outcome depends on the law and how distributions are handled.
- 03 Mixing the inheritance with marital funds can complicate that separation.

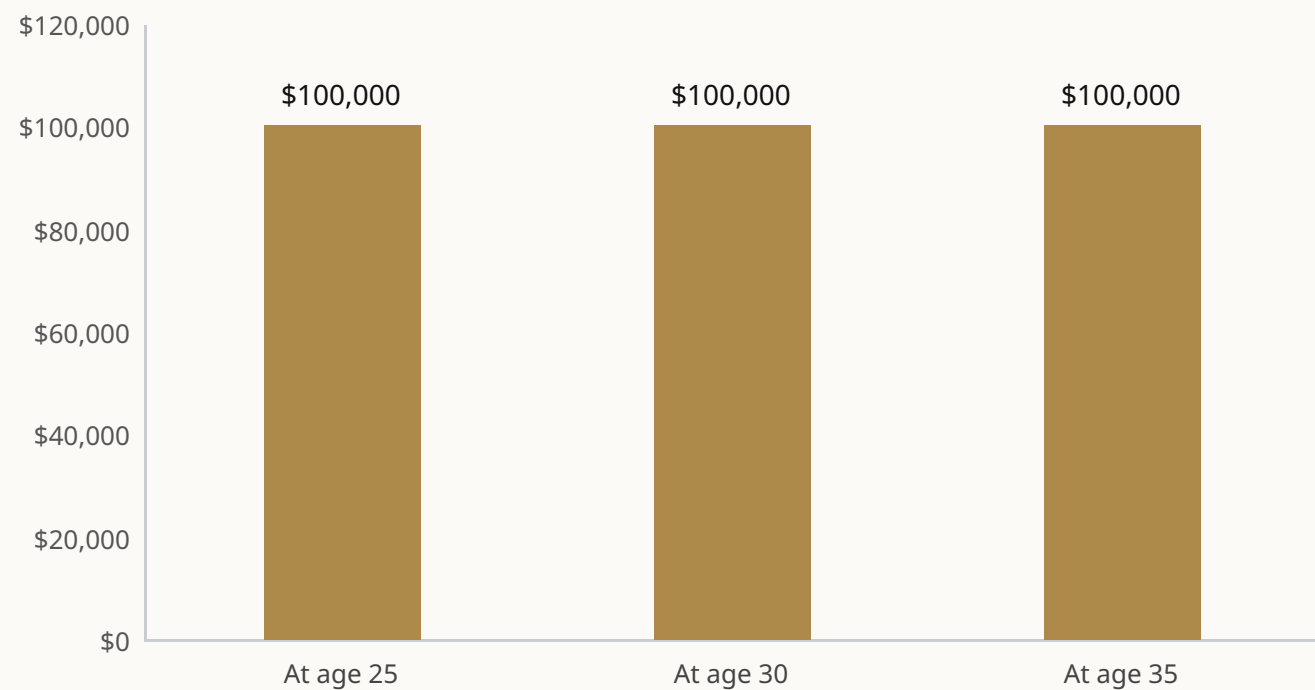
In Florida, for example, spousal and former-spouse support exceptions apply to certain spendthrift protections. Immunity should never be promised.

Example of a staged inheritance

Illustrative principal: \$300,000 set aside for a child.

The document could provide \$100,000 at age 25, \$100,000 at 30, and \$100,000 at 35.

The trustee manages the balance and follows the document's conditions.



Hypothetical distributions in dollars

Illustration excluding returns, taxes, fees and prior payments. In Puerto Rico, an attorney must review the *legítima* (forced-heirship share) and legal limits before using these conditions.

Inheritance in Puerto Rico

- 01 Local law sets formalities for creating the trust (fideicomiso) and transferring its assets.
- 02 A family trust must respect the rights of forced heirs and the limits on the legítima.
- 03 Trusts for qualified retirement plans follow different rules. That treatment should not be applied to every family trust.

Act 219-2012, as amended in 2026. An attorney should confirm the exceptions and the right structure for each family.

TSP, FERS/CSRS and insurance

- 01 Beneficiary designations can be coordinated with family planning. A trust can be a TSP beneficiary under the plan's rules.
- 02 FERS/CSRS keeps its own rules for survivor benefits and divorce orders. A trust does not replace them.
- 03 Naming a trust as an IRA beneficiary requires reviewing tax requirements and distribution timelines.

Don't assume the TSP and IRAs distribute the same way. A trust does not automatically turn your TSP or federal pension into freely transferable assets.

Trusts and the \$15,000

- 01 Creating a trust does not create the \$15,000 tax exclusion.
- 02 Puerto Rico's exclusion depends on the eligible pension, your age, and the form of payment.
- 03 The trust may have its own tax obligations. An attorney and a tax professional should review who is taxed.

States have their own rules. A trust does not guarantee tax savings or investment returns.

A structure for your family

- 01 The decision starts with your assets, residence, beneficiaries, and management needs.
- 02 Compare a trust, a will, and beneficiary designations before choosing.
- 03 PWR provides education and initial guidance. A licensed attorney drafts and reviews the legal structure.

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Official sources and scope

Accessed October 7, 2026. Rules may change.

1. [santaclara.courts.ca.gov / probate-faqs](https://santaclara.courts.ca.gov/divisions/probate-division/probate-faqs)

<https://santaclara.courts.ca.gov/divisions/probate-division/probate-faqs>

2. Puerto Rico: Trust Act, as amended 2026

<https://bvirtualogp.pr.gov/ogp/Bvirtual/leyesreferencia/PDF/Fideicomisos/219-2012.pdf>

3. [flsenate.gov / All](https://flsenate.gov/Laws/Statutes/2026/Chapter736/All)

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4. [careers.state.gov / eod](https://careers.state.gov/eod/)

<https://careers.state.gov/eod/>

5. [www.opm.gov / survivor-benefits](https://www.opm.gov/retirement-center/survivor-benefits/)

<https://www.opm.gov/retirement-center/survivor-benefits/>

6. [www.opm.gov / court-ordered-benefits](https://www.opm.gov/frequently-asked-questions/retire-faq/court-ordered-benefits/)

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7. [www.irs.gov / 2024-33_IRB](https://www.irs.gov/irb/2024-33_IRB)

https://www.irs.gov/irb/2024-33_IRB

8. Hacienda PR: 2025 instructions, Schedule H

https://hacienda.pr.gov/sites/default/files/inst_individuos_2025_27_feb_26.pdf

9. [www.irs.gov / tc410](https://www.irs.gov/taxtopics/tc410)

<https://www.irs.gov/taxtopics/tc410>

Illustrative examples. Results depend on the plan, residence, and legal and tax review.