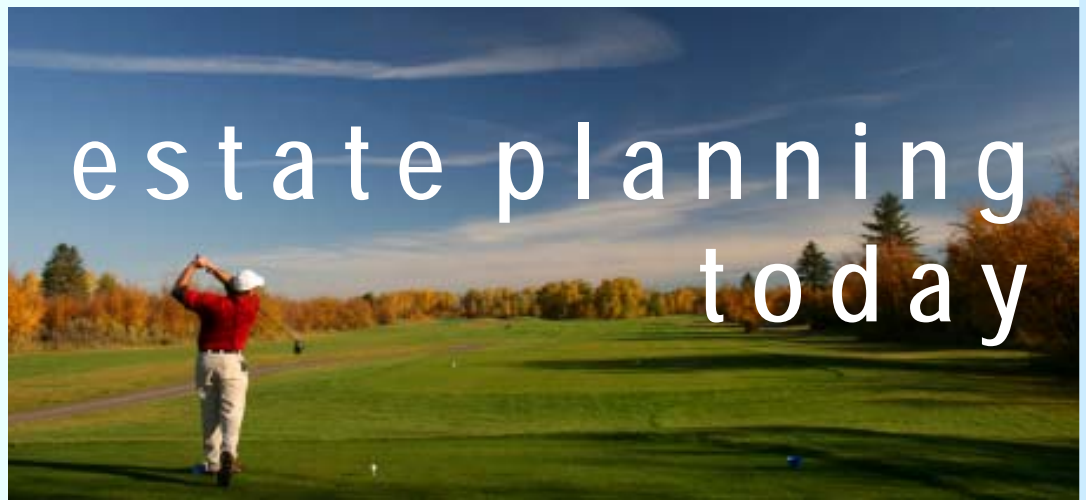


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MATSUMURA LAW FIRM

Wills, Trusts, Probate
And Estate Planning

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Trust Mills “Churn” Out Form Documents Which Can Cause Damage To An Estate

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What Is A Trust Mill?

How Trust Mills Can Damage Your Estate Plan and Your Estate

A “Trust Mill” is the name of a scam which fraudulently sells trusts and financial products to unsuspecting consumers.

Trust Mill Pattern. A typical trust mill scam progresses more or less as follows:

- A promoter circulates a flyer or places an advertisement in the paper for a free seminar to talk

of preparing a trust to obtain private financial information about clients, in order to sell the client financial products. The promoters may scare clients into believing that their current investments are unsafe, or that they can guarantee a certain stream of income for life. In any case, when the clients sign their trust documents, they may be lured into signing up for financial products which may not be appropriate for the clients.

Trust Mills Entice Clients with Free Meals or Appear To Be Endorsed By Legitimate Organizations.

In its solicitations, the promoters often pose as expert financial or estate planners. The promoters normally incentivize attendance with a free breakfast or lunch with the seminar. Sometimes, the promoters will present “free” seminars to labor unions, Rotary clubs, military organizations, and the like. The consumers may mistakenly believe that because the trust mill is allowed to use the organization’s facility, the promoters are safe and even “endorsed” by the union, or other hosting organization. In fact, the underlying circumstance may be that the promoters have promised the hosting organization \$50 for every attendee, and the organization is using the promoter’s seminar as a fundraising opportunity.

about benefits of a living trust.

- The seminar scares prospects about the dangers of going broke over long term care, or how probate can erode inheritances passing to beneficiaries.
- The promoters offer to prepare an estate plan for little or no costs.
- The estate plan is prepared using boilerplate forms with no regard to whether the documents are suitable for the clients’ situation.
- Once the estate plan is prepared, it is delivered to the clients by an insurance or annuity salesperson, who then sells the client financial products.

Trust Preparer Gains Access To Financial Information For the Sale of Financial Products. The preparation of the living trust may be the “loss leader” in the trust mill scam. In other cases, clients do pay thousands of dollars for preparation of the estate plan. Either way, the trust mill promoters use the guise

Trust Mill Estate Plans Can Be Damaging To A Client.

In any event, the estate plans which are provided to the clients are normally not tailored to a clients needs, and the provisions sometimes do not even comply with California law. In many cases, because the document does not fit the client’s situation, the

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How You Can Avoid Being “Duped” By A Trust Mill (continued)

estate plan will cause damage to the client’s estate and increase cost to the client or the client’s family. Because the trust document may not be needed until after a client passes away, the client may never realize that the trust was prepared inappropriately. However, the client’s loved ones will bear the burden of dealing with trust provisions which do not reflect the client’s intent. The fraudulent plans also can cause tax problems which could have been avoided with competent drafting.

sales and \$4 million in trust preparation fees. The companies are currently being sued for consumer fraud, false advertising, and deceptive trade practices. The suit also alleges that the companies violated state insurance suitability and insurance solicitations laws, and other laws related to financial planning.

Reporting Trust Mills to Authorities. If you believe that you or a loved one has been victimized by a trust mill scheme, you should report the incident to your local District At-

Be Wary Of Trust Mill Characteristics—They Follow A Typical Pattern



Drafting Attorney’s Name Does Not Appear on the Plan. The trust mills may have one attorney (or paralegal) “on staff” who purports to “sign off” on the trust documents. In any case, the attorney’s name will not appear of the documents to prevent tracing the work back to the particular attorney. The anonymity of the drafting attorney prevents him or her from being prosecuted for malpractice. The trust mill companies use generic names as well, and may change names to evade law enforcement.

Trust Mills Can Defraud Millions of Dollars from Their Victims. Two prevalent California trust mills are American Family Legal Plan and Heritage Marketing & Insurance Services, Inc. These two companies allegedly sold seniors as many as 30 trusts per week, with approximately \$25,000 in annuity sales for each trust sold. It is estimate that the companies defrauded seniors as much as \$50 million in annuity

torney and the California Department of Insurance.

Be Wary Of Trust Mill Characteristics. Trust mills normally follow the pattern of behavior outlined above. They advertise free estate planning seminars and use scare tactics by citing unlikely tax scenarios and claiming exaggerated probate costs to motivate attendees to act. Trust mills use fill-in-the-blank forms to churn out plans which may cause estate damage. At the end of the process, trust mills may attempt to sell financial products.

Proper estate planning involves an investigation of your situation, issues and goals. Estate planning documents are specifically drafted for your particular circumstances and take into account estate, gift and other transfer tax issues. Furthermore, estate planning attorneys should be legal advisors, and not financial advisors. If you are concerned about your existing estate planning documents, please feel free to contact me and I would be happy to help you determine if your current documents meet your current goals.

About Me & My Practice. I graduated cum laude from the University of the Pacific in Stockton, CA. I received my law degree from UC Davis and graduated from Golden Gate School of Law with a Masters in Taxation (LL.M.). For the last 10 years, I have practiced exclusively in the area of estate planning, probate and trust administration. In my off hours, I support Pacific and Cal athletics, the SF Giants (hooray Lincecum!), the Sacramento Kings, and play (and watch) tennis! ☺