

Delaware Trust Services





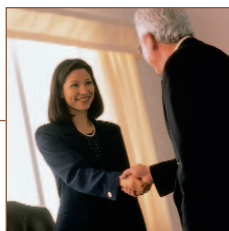
*Reap the Unique
Benefits of
Delaware Trusts.*

It's one thing to achieve wealth, but another to preserve it—for your family and for future generations. Of all the tools available for this purpose, trusts are the most effective—and the most essential.

The decision about where to create a trust may be as important as the decision to establish the trust itself. To put it simply, there is no law that requires you to confine your trust to the state where you or your beneficiaries reside.

DELAWARE:

TRUST CENTER OF CHOICE.



Widely recognized as the “corporate capital” of the United States, Delaware is likewise a “trust center” and a preferred jurisdiction for personal trusts—both for U.S. citizens and residents, and for non-U.S. persons with beneficiaries in the United States. While Delaware is home to less than half of one percent of the U.S. population, more than 10 percent of the Forbes 400 have created trusts there.

In recent years, Delaware has led the nation in trust law modernization, with a view to encouraging the creation of personal trusts within its borders. In addition, Delaware’s favorable tax environment, respected court system, and skilled professional community make the state an ideal place for establishing a trust.

Now a full array of specialized Delaware trust services is available from HSBC—one of the world’s foremost global financial institutions. With offices in Wilmington, Delaware, HSBC Bank & Trust Company (Delaware), N.A., in conjunction with your legal and tax advisors, can help you tailor a trust to your specific estate planning needs and goals. Structured properly, the right Delaware trust can afford you and your family maximum benefit from your assets during your lifetime while relieving future generations of tax burdens.



WHAT SETS DELAWARE TRUSTS APART?

Several factors contribute to Delaware’s worldwide reputation as a “state of the art” trust jurisdiction:

- Its legislature is known to act quickly and often to update and improve trust laws. The Delaware Legislature has been at the forefront in enacting trust laws that provide greater flexibility and efficiency in the administration of trusts.
- Delaware’s highly respected Court of Chancery, that decides cases involving America’s largest corporations, also decides trust matters.
- Its large and growing community of experienced trust-and-estate lawyers and trust bankers work closely together to make Delaware a “trust-friendly” environment.

Depending on your particular situation and objectives, Delaware trusts offer many unique benefits. Among them:

- **Less onerous taxes.**

Delaware does *not* tax:

- The accumulated income or capital gains of an irrevocable trust established in Delaware if no remainder beneficiary resides in the state
- Trust income distributed to non-resident beneficiaries
- Intangible personal property held in trust

- **No time limit on trust terms.**

Most states permit families to create a “dynasty trust,” which exempts future generations from U.S. estate, gift and generation-skipping transfer taxes. But these exemptions end after a finite period—generally 80–100 years. In contrast, Delaware permits the creation of “perpetual trusts,” with no time limit. Over time, this option can translate into significant savings through perpetual avoidance of taxes and compounded growth of family assets.

- **More flexible investment options.**

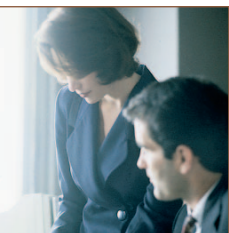
Delaware law authorizes the use of “directed trusts,” wherein some or all of the trust’s investments are directed by third-party investment advisors. Among other advantages, creating a directed trust allows families to employ multiple money managers, and to exercise greater control over investment decisions than would otherwise be possible.

- **Favorable charitable structures.**

Apart from the satisfaction that results from charitable giving, the creation of a private family foundation can yield significant tax savings over the long term. But even greater benefits accrue to family foundations established as charitable trusts or not-for-profit corporations in Delaware:

 - Strong emphasis placed on giving maximum effect to donors' stated charitable purposes
 - Extension of well developed principles of Delaware corporate law to non-profits
 - Flexible governance standards
 - Minimal governmental regulation
- **Increased protection from creditors.**

Delaware recognizes "spendthrift trusts." This special structure prohibits trust funds from being paid to anyone other than a beneficiary, thus placing trusts that you create for others beyond the reach of their creditors. In addition, Delaware law sets no limit on the amount that may be sheltered from creditors' claims.





SPECIAL ADVANTAGES FOR NON-U.S. PERSONS

The nation's leading trust center, Delaware also has become a leading jurisdiction for foreign nationals seeking to establish trusts to benefit their U.S. beneficiaries. By establishing a dynasty trust in Delaware, a non-U.S. person can help his or her U.S. beneficiaries and descendants realize substantial tax savings over the long term. HSBC's global network can figure importantly in designing a Delaware trust that complies with all applicable laws and regulations and addresses relevant cross-jurisdictional issues.

A properly structured Delaware trust is not subject to U.S. gift, estate or generation-skipping transfer taxes when it is created or when trust benefits pass within the trust from one family generation to the next.

While the non-U.S. grantor is alive, a Delaware trust may be structured as a "foreign grantor" trust so that it is not subject to U.S. income tax (except for withholding tax on any U.S. source income).

When the foreign grantor dies, a Delaware trust can be easily transformed into a U.S. trust to avoid negative U.S. income tax rules on distributions of accumulated income in offshore trusts to U.S. beneficiaries and other potential taxes and complexities for U.S. beneficiaries of foreign trusts.

CREATING A DELAWARE TRUST

If you think a Delaware trust may be right for you, consult with your tax and legal advisors. They can help you determine which type of trust will best meet your needs.

HSBC Bank & Trust Company (Delaware), N.A. is a sister company of HSBC Bank USA and part of HSBC Holdings, one of the world's largest banking organizations, with 9,500 offices in 79 countries and territories in Europe, the Asia-Pacific region, the Americas, the Middle East and Africa. Our access to global resources, combined with our presence in Delaware, enables our clients to take full advantage of Delaware trust laws.

- **The HSBC Difference.**

We will work with your advisors to review your proposed Delaware trust and other estate planning documents to ensure that you have addressed the issues important to you and your beneficiaries. We take the time to question and probe—and to listen. It is our belief that we can serve you best by first gaining a clear picture of your objectives and the things that matter most to you.

If a Delaware trust serves your estate planning needs, we can work with you to:

- Execute the trust document after it has been drawn up by your advisors in accordance with your wishes
- Take care of all trust account setup details
- Transfer assets to the trust

Once your trust is in place, our Delaware trust facility provides all ongoing trust administration services:

- ensuring that the trust is administered according to its terms;
- safeguarding and taking custody of trust assets;
- collecting and distributing income and making principal distributions in accordance with the terms of the trust;
- providing fiduciary accounting and recordkeeping;
- providing reports and communicating with beneficiaries; and
- preparing and filing tax returns.

Where appropriate, we can draw upon and coordinate the services and resources of HSBC's worldwide organization to meet your specific requirements.





AN INVITATION

Whether you're a U.S. citizen or resident, or a non-U.S. person, HSBC Bank & Trust Company (Delaware), N.A. can help you weigh the unique benefits of a Delaware trust.

We welcome your inquiries—and the opportunity to speak further with you and answer any questions you may have. For further information, please contact:

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