
Trusts as a modern instrument of asset management and protection

Trusts are today not only a tool for managing large estates or corporate structures, but also a practical solution for a wide range of family and personal situations. They are used, for example, to finance education, provide for the living needs of loved ones, protect assets from debt or prevent their division in divorce.

The importance of trusts

The main advantage of trusts is the protection of assets and their efficient management. This institution allows the settlors to:

- **Protecting assets from emergencies:** Assets remain in the family even after the death of the settlor, which is difficult to ensure in normal succession proceedings.
- **Flexibility in the use of the assets:** the funds can be used for a variety of purposes, from supporting children's education to charitable projects.
- **Minimising legal risks:** trusts can protect assets from creditor claims or the negative consequences of legal disputes.

Setting up a trust and its statutes

A trust fund is established by statute, which is the basic document defining the purpose, composition, basic rules of administration and operation of the fund. In addition to the statutes, there are a number of other documents that elaborate on the statutes. The quality of the statutes and related documents is key to the successful operation of the Trust and requires professional legal drafting. It includes:

- **Purpose of the Fund:** Why the fund was established and how the assets are to be used.
- **The rules for the management of the assets:** the scope of the trustee's powers.
- **Persons connected with the fund:** Founder, trustee, trustees.

Once the statute is established, the fund must be registered in the public registers, which include the Register of Trusts, the Register of Beneficial Owners and, where applicable, the Land Registry or the Commercial Register.

Role of key persons in the trust

1. The settlor:

- o Allocates assets and sets the rules for their management.
- o May also be trustee or trustee-in-command as long as the independence of the control mechanisms is ensured.

2. Trustee:

- o Manages the assets for the benefit of the beneficiaries.

- o Ensures its protection, reproduction and use in accordance with the rules of the statute.
- o May be limited to simple administration (preserving the value of the property) or full administration (investing and trading).

3. Beneficiary:

- o A person entitled to receive benefits from the fund.
- o May be family members, business associates, or charitable organizations.

Entry in public registers

Entry in the Register of Trusts is mandatory for the establishment of a trust. However, some entries are not public without further notice. These are details of the settlor, the beneficiary, other persons entitled to supervise the trust, the residence and date of birth or the birth number of the trustee, thereby ensuring, in particular, the protection of privacy.

If shares in commercial corporations are placed in the trust, the trustee is entered in the **Commercial Register** as a person (not as a trust) acting in the capacity of a shareholder or shareholder, and it is always indicated which trust the share has been included in. If real estate is included in the trust, the details of the trust are entered in the **Land Registry** to a similar extent, in particular the designation of the trust, details of the trustee.

Benefits of managing assets through a trust

1. Protection from external influences:

- o The assets are not part of the settlor's property and are therefore protected from execution or third party claims.

2. Flexible management:

- o The assets of the trust can be expanded, for example through dividends, interest or other income.

3. Conditional asset distribution:

- o Distributions from the fund may be conditional on specific circumstances, such as reaching a certain age or meeting educational goals.

Practical use of trusts

- **Family purposes:** Protecting family assets, providing for children and grandchildren, or funding education.
- **Business purposes:** Protecting business assets, succession planning in companies.
- **Charitable Purposes:** Funding non-profit activities or supporting community projects.

Conclusion

Trusts are a flexible and effective wealth management tool that can reflect the individual needs of the settlor and beneficiaries. Their advantages, such as asset protection, tax optimisation or ensuring continuity of ownership, make them an invaluable means of

dealing with complex life situations. However, expert advice and careful legal drafting are crucial to their establishment and administration.

Our law firm will be happy to provide you with expert legal advice in this matter and guide you through the entire process of preparation and establishment. Please do not hesitate to contact us at any time should you be interested. We also recommend taking advantage of the special extended consultation offer as part of the *Advokátky and Trust Fund* promotion.

Mgr. Veronika Železnáková, Attorney-at-law
JUDr. Vladimíra Pajerová, Attorney-at-law, Partner
Pajerová Sedláčková ADVOKÁTKY s.r.o.
25.04.2025



Special offer

Flat rate

“ADVOKÁTKY and Trust Fund”

Trust Fund – A Guide to Establishment

Extended private consultation

 **Pajerová
Sedláčková**
advokatky.cz