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All parents want to protect their kids and give them a bright future. That's why many establish a trust providing short- and long-term financial support. But if they're not careful, parents can get tripped up in the specifics of the trust, making common errors such as choosing an unsuitable trustee who could derail their intentions. Avoiding these mistakes helps your clients and their kids benefit from the best trust possible.

The 5 Biggest Mistakes Parents Make When Setting Up a Trust

Help your clients avoid these common pitfalls so their children will get the most from their trusts.

Creating a trust is a great way for clients to protect their children's future. But many parents fail to think through the details and can end up making mistakes that undermine their long-term plans. "It's important to think about trusts beyond just the surface level," says Michael Roberts, president of the Reliance Trust Company of Delaware. "Advisors can add a lot of value by getting clients to delve a little deeper and make their trust as specific as possible."

Here are five common problem areas when clients establish a trust for their kids:

1. Choosing a trustee

It may sound reasonable to name a family member or a close friend as trustee. But, consider that nothing breaks a family apart faster than having one family member control the assets of another. Alternatively, will Uncle Joe or your best friend have the time and expertise to manage the trust fund properly? If not, parents might want to consider a corporate trustee who offers security and who operates with insurance and under legal oversight. Corporate trustees also provide continuity, and parents don't have to worry that their trustee may one day be incapable of handling the trust effectively.

2. Setting a goal

In order to be successful, trustees need to know parents' intentions. Do they want trust money to fund their child's college education, for example? You can help your client clearly outline these and other objectives in the trust document. That way, trustees will understand the exact circumstances under which children will get support. It's also possible for parents to put a cap on permissible distributions for some goals. For example, parents may want to set a limit on specific distributions, i.e., "allow no more than $200,000 toward a home purchase."

3. Creating a schedule

"It's important that a child doesn't receive trust money before he or she is ready," says Roberts. One way to address this problem is by setting up a schedule where the trustee distributes the assets in increments. For example, a $1,000,000 trust may be set up to distribute one-third at age 30, one-half at age 35, and the balance at age 40. Your clients may not be comfortable with a fixed schedule, however, so another option would be to match annual distributions with the child's W2 form. This approach helps recast the trust as a financial incentive for continuing to work.

4. Linking other assets

Your client's largest assets may be his or her retirement account and a life insurance policy for which they've named their child as beneficiary. That means if something were to happen to the parent, both large balances would transfer directly to their child. If that's not a prospect your client is comfortable with, have them consider naming the child's trust as beneficiary. Doing so enables these assets to be passed down under the measured schedule and oversight of their assigned trustee.

5. Communicating

Parents may shy away from talking with their kids about a trust because they are uncomfortable discussing money, or they worry it will demotivate their children. While understandable, these impulses can result in kids not knowing their trust funds even exist, which can cause greater issues for the child later on when they suddenly learn the extent of these assets. Encourage your clients to let their children know about their trust and to explain how the trust was structured with their best interests in mind.

A trust partner can help you steer your clients clear of mistakes from the beginning and make the best decisions for their child's trust.

To learn more about trust options and solutions, visit www.reliance-trust.com/advisors.