

Simple Separation Rule Checklist

**"If it's trust money, it touches nothing but trust accounts.
If it's personal money, it stays in personal accounts."**

Six Separation Rules

- Rule 1 — Separate Bank Accounts**
 - Trust has its own checking, savings, and investment accounts
 - Account titled: "[Trustee Name], Trustee of [Trust Name], dated [Date]"
 - NEVER just "John Smith"
- Rule 2 — Separate Credit Cards**
 - Trust uses its OWN credit card for trust expenses
 - NEVER use a personal card with "I'll pay myself back"
- Rule 3 — Separate Bookkeeping**
 - Trust income and expenses in the trust's ledger
 - Personal income and expenses in the personal ledger
 - Never the same QuickBooks file or spreadsheet
- Rule 4 — Separate Tax IDs**
 - Trust has its own EIN from the IRS
 - File Form 1041 for the trust, Form 1040 for yourself
 - Never use your personal SSN for trust transactions
- Rule 5 — Separate Physical Property**
 - Real estate: deed says trust owns it
 - Vehicles: title says trust owns it
- Rule 6 — Separate Records**
 - Trust documents in a trust file
 - Personal documents in a personal file

⚠ The "MUST Document" Protocol

- Write a memo AT THE TIME of transfer
- Include: date, amounts, account numbers, purpose
- State: "This is a temporary transfer" with return timeline
- Get co-trustee signatures
- Execute on exactly the stated timeline
- Document the return transfer with same detail

Monthly Five Minute Check

Do this every month. Set a calendar reminder. It takes five minutes.

- Verify that NO trust funds are in personal accounts
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- Review last month's trust transactions — flag any personal-account crossings
- Review any reimbursements — were they documented BEFORE the expense?
- Check account titling — are all accounts still in the proper trust name?
- Quick audit: If a beneficiary or the IRS asked for an accounting TODAY, could you produce clean records within 48 hours?

Lawsuit-Prevention Quote

"One line that prevents more lawsuits than any other: Verify that no trust funds are in personal accounts and no personal funds are in trust accounts."

Why This Matters

- You don't get in trouble for what you DID with the money. You get in trouble for not being able to PROVE what you did with the money.
- Documentation is your only defense when a beneficiary questions a transaction.
- The trustee who documents everything wins every argument — even when they made a mistake.

Quick Reference: Trust vs. Personal

Trust Account	Personal Account
Trust income deposits	Personal salary/deposits
Trust expenses	Personal expenses
Trust investments	Personal investments
Trust tax filings (Form 1041)	Personal tax filings (Form 1040)
Trust EIN	Personal SSN