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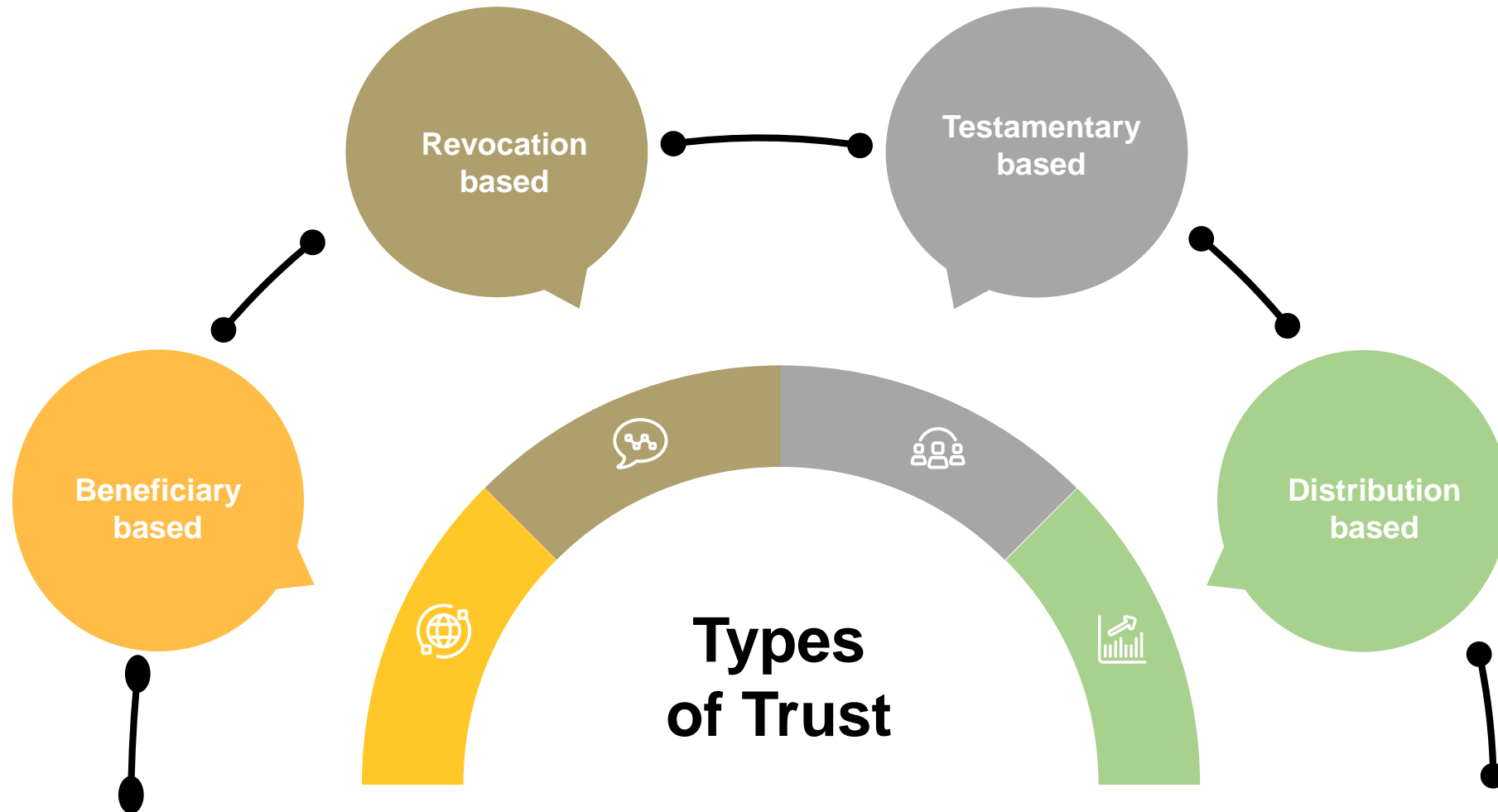


Basics of Trust – Part III

SUCCESSION PLANNING SERIES #23

Types of Trust

The Trust Act does not define or classify different types of Trust. However, in practice, Trust can be classified into various types depending on the following classification:



Beneficiary based classification

Particulars	Public Trust	Private trust
Basis of formation / Number of beneficiaries	It is a trust created for the benefit of a larger group of people , i.e., for social causes, religious and charitable purpose.	This type of trust is mainly created for the benefit of small group of people such as family members, etc.
Governing Law	Generally governed by the laws prevailing in the respective state, if any.	Governed by the provisions of the Indian Trust Act, 1882
Restrictions on use of trust funds / property	There are substantial restrictions on use of trust funds / property as it largely involves public money.	There are no major restrictions on the utilisation of trust funds as the trustee is free to use the same at his discretion unless specifically restricted by the settlor / trust deed.



Revocation based classification

Particulars	Revocable Trust	Irrevocable Trust
Meaning	A trust that can be revoked (cancelled) by its settlor at any time during the lifetime.	A trust that comes to an end only upon attainment of the purpose for which it was formed or if the trustees mutually decide to dissolve the trust.
Role of settlor	In addition to the contribution of property into the trust, the settlor retains / reserves the power to revoke the trust and to transfer the trust property back to himself at any point of time.	The role of a settlor is generally restricted to the extent of creation of trust and contribution of property to the trust.
Protection of Beneficial interest	The beneficial interest of beneficiary in a revocable trust is uncertain as the settlor can take back the trust property (i.e., revoke the trust) anytime.	The beneficiaries are certain about the receipt of the trust property since the settlor has no rights upon the property after contributing it to the trust.



Testamentary based classification

Particulars	Testamentary Trust	Non-testamentary Trust
Meaning	Trusts created under a Will is known as testamentary trust .	Trusts settled and executed by a settlor during his lifetime (without any Will) is known as non-testamentary trust .
Formation of trust	The trust is executed by the executors to the Will.	The trust is executed by the settlor himself.
Contribution of property to trust	The property is contributed to the trust after the death of the testator (i.e., owner of the property).	The property is passed on from the settlor to the trust during the lifetime of the settlor .



Distribution based classification



Particulars	Specific Trust	Discretionary Trust
Meaning	A trust wherein the trust deed explicitly provides the list of beneficiaries and their share of beneficial interest in the trust property. Such trusts are also known as Determinate trust .	A trust wherein the list and share of the beneficiary is not identified upfront and the same is left to the discretion of the trustees. Such trusts are also known as Indeterminate trust .
Entitlement of beneficiary interest	In case of specific trust, the trust property / funds belong to the beneficiary only to the extent of their specified ratio .	The beneficiaries are entitled to the trust property based on the beneficial interest determined by the trustees .

Succession Knowledge Series



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5. [Rules of Intestate Succession Male - Part 2](#)
6. [Illustrations on Intestate Succession for Male](#)
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