

# Compoundr Strategy: A Smart Solution for Trust Accounts

Trust accounts—especially **Special Needs Trusts (SNTs)**—require careful financial planning to preserve long-term value, minimize tax liability, and protect beneficiary eligibility for government programs. Traditional fixed income investments can generate unwanted taxable income, often triggering higher trust tax brackets or disqualifying special needs beneficiaries from public benefits.

The **Compoundr strategy** offers a powerful alternative—one that transforms the way trusts invest in fixed income by **converting interest income into deferred capital gains**, dramatically enhancing after-tax outcomes and long-term control.

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## The Tax Problem for Trusts

Trusts are taxed at highly compressed rates:

- **In 2025**, income above just **\$14,450** is taxed at the top **37% federal rate**.
- Ordinary income from bond interest is taxed annually, accelerating liabilities even when distributions are not made.

For **Special Needs Trusts**, this problem is compounded:

- Any undistributed income can jeopardize government benefits (like SSI or Medicaid) if not carefully managed.
  - Annual income spikes from interest can create unnecessary reporting burdens and compliance risks.
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## How Compoundr Solves It

The Compoundr strategy changes the character and timing of income, offering three critical advantages for trusts:

### 1. Deferral of Income Recognition

Compoundr ETFs avoid current income distributions by holding individual fixed income securities to maturity. The value accrues in the fund but is not paid out—**meaning trusts don't have to recognize taxable income annually**.

### 2. Capital Gains Treatment

Upon sale, gains are taxed as long-term capital gains if held over a year—**more favorable than ordinary income** and often taxed at lower effective rates depending on the trust structure.

### 3. Preservation of Government Benefits

For Special Needs Trusts, deferring income helps prevent unintended spikes in income that could threaten eligibility for government programs. This offers trustees greater flexibility in managing disbursements and compliance.

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## Benefits Summary for Trusts & SNTs

Feature	Traditional Bonds	Compoundr Strategy
Annual Taxable Income	Yes (interest)	No (deferred)
Character of Income	Ordinary income	Capital gains
Tax Rate (on income)	Up to 37%	Often lower (15–20%)
Control Over Timing	Limited	Full (sell decision)
Risk to Public Benefit Eligibility (SNTs)	High	Low

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## A Better Tool for Trustees

Trustees have a fiduciary responsibility to maximize after-tax returns and preserve assets for beneficiaries. With Compoundr, they gain:

- A **tax-efficient fixed income strategy** that avoids annual distributions.
  - **Greater discretion** in when and how income is realized.
  - A way to **align investment growth with beneficiary needs**, without creating unexpected tax or benefit eligibility problems.
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## Conclusion

Whether you're managing a simple irrevocable trust or a complex Special Needs Trust, the Compoundr strategy offers a breakthrough in tax efficiency, control, and compliance. By converting interest income into deferred capital gains, Compoundr empowers trustees to better protect and grow trust assets—while meeting their duty to beneficiaries and avoiding unnecessary tax or legal pitfalls.