

637.502 Disbursements from principal.

1. A trustee shall make disbursements from principal according to the following:
 - a.* The remaining one-half of the disbursements described in section 637.501, subsections 1 and 2.
 - b.* All of the trustee's compensation calculated on principal as an acceptance, distribution, or termination fee, and disbursements made to prepare property for sale.
 - c.* Payments on the principal of a trust debt.
 - d.* Expenses of a proceeding that concerns primarily principal, including a proceeding to construe the trust or to protect the trust or its property.
 - e.* Insurance premiums paid on a policy not described in section 637.501, subsection 4, of which the trust is the owner and beneficiary.
 - f.* Estate, inheritance, and other transfer taxes, including penalties, apportioned to the trust.
 - g.* Disbursements related to environmental matters, including reclamation, assessing environmental conditions, remedying and removing environmental contamination, monitoring remedial activities and the release of substances, preventing future releases of substances, collecting amounts from persons liable or potentially liable for the costs of those activities, penalties imposed under environmental laws or regulations and other payments made to comply with those laws or regulations, statutory or common law claims by third parties, and defending claims based on environmental matters.
2. If a trust owns a policy of insurance on the life of an individual and the trust is not the beneficiary of the policy, premiums paid on the policy are a distribution from principal to the policy beneficiary.
3. If a principal asset is encumbered with an obligation that requires income from that asset to be paid directly to the creditor, the trustee shall transfer from principal to income an amount equal to the income paid to the creditor in reduction of the obligation's principal balance.