The Need for Planning

Making sure that your assets are managed in the way that you intend after your death or in the event you become incapacitated is important. By using a trust, you can arrange for the management of your assets after death or during incapacity. It also alleviates the burden on your loved ones of dealing with complex administrative, legal, and investment issues during already difficult times. A trust has several other advantages, including:

- Avoiding the delays and expense of probate
- Maintaining privacy
- Saving estate taxes
- Managing assets for your children or grandchildren until they are old enough to manage assets themselves.

Karen Stewart specializes in estate planning and probate matters. Karen has over 20 years of experience in preparing custom estate plans that meet her client's goals, avoid probate and minimize estate taxes. Her tax planning expertise and CPA credentials give her a strong foundation when planning an estate.

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Estate Planning with Revocable Living Trusts

Protect Your Family Tree

KLS
Karen L. Stewart
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Know the Basics

What is a Revocable Living Trust?

A Trust is a legal relationship in which assets are transferred to a trustee to be used for the benefit of one or more beneficiaries. The person who establishes the trust is called the settlor. Upon accepting the assets as trustee, the trustee undertakes the obligation to use the assets in accordance with the settlor's directions. Generally, these directions are set forth in writing along with the other terms of the trust. A living trust is the name given to trusts created during the settlor's lifetime. A living trust usually is created for the settlor's benefit during his or her life. After the settlor's death, the trust assets are distributed to or managed for the benefit of family members or other designated beneficiaries. A Revocable Living Trust can be amended or revoked by the settlor during his or her lifetime and usually becomes irrevocable upon the settlor's death.

Can I Serve as Trustee of my Revocable Living Trust?

The self-trusteed living trust is a popular variation of living trust. You serve as the trustee of your trust while you are alive and competent and name a successor trustee to act in the event of your death or incapacity. Assets previously held in your sole name are registered in your name as trustee of the trust. If you become incapacitated, the successor trustee continues the administration of the assets for the benefit of you or your beneficiaries. After your death, the trust can continue for the benefit of others. All of the advantages of a living trust described here apply to a self-trusteed living trust.

What are the Advantages of a Revocable Living Trust?

Probate Avoidance

Probate is the process by which title to assets owned in your name alone are transferred after your death. Probate may be expensive and time-consuming depending on the value and type of assets in your estate. Placing assets in a living trust is a method by which you can avoid the expense and delays sometimes associated with probate proceedings.

Even more costly and time-consuming than probate proceedings for decedents are guardianship and conservator proceedings for people who have become incapacitated. Through a living trust, you select a successor trustee to manage your affairs should you become incapacitated, thereby avoiding court proceedings and the court-supervised management of your assets and affairs.

Privacy

When your estate goes through probate, your Will and other documents become public record. A living trust provides you with a greater degree of privacy because the trust provisions and the assets in your estate are not subject to public disclosure.

Estate Tax Savings

If the value of your estate is more than the amount excluded from federal estate tax, it could be subject to estate tax when you die. A trust may enable you to reduce or eliminate estate tax through the latest tax-saving techniques and ensure that more of your estate goes to the people or charities that you choose.

Management of Assets for Children or Grandchildren

You select a person to serve as successor trustee so that trust assets can be maintained in the trust after your death instead of being distributed outright to beneficiaries who may be unable to handle the management of assets themselves due to their age or other factors. Without a trust, a minor receiving an inheritance would need to have a conservator appointed by the probate court to manage the inheritance. At age 18, the funds would be turned over to the beneficiary. With a trust, the trustee can manage the funds until the beneficiary is more mature.

Placing Assets in the Revocable Living Trust

To achieve full benefit from a living trust, it is important that appropriate action be taken to transfer assets into trustee ownership. This process is often referred to as "funding" the trust. Funding a living trust consists of retitling your bank accounts, bonds, stocks, real estate, and other assets so that the trustee of the living trust is the owner of the assets. Funding also may entail changing the beneficiary of life insurance policies or retirement benefits.

Proper funding of a trust also can ensure that estate tax savings are attained. A married couple with assets totaling more than the estate tax exclusion amount will need to discuss with their advisors the proper division of their assets between their trusts to maximize estate tax savings.