Revocable Living Trusts

An estate is personal possessions and real property left over after one passes. Estate planning involves the proactive planning of how your estate and affairs are handled on your death. Proper estate planning can reduce costs and make for a smoother execution in carrying out the desired wishes of the deceased. A common estate planning tool is with the use of Revocable Living Trusts.

There are many different varieties of, and uses for trusts. Many times trusts are used to reduce estate tax liabilities, provide for beneficiaries, and commonly are used to avoid probate. Probate is the legal process by which the estate is formally and legally identified and executed. More generically, probate is the court proceedings that distribute your “stuff” when you die. Probate can take several months or years to execute and proceeds are a matter of public record.

A Revocable Living Trust is created while an individual is alive and contributes property and/or assets into the trust’s registration. This individual is called the grantor. Upon the grantor’s death, the trust assets are distributed to the beneficiaries of the trust according to the rules laid out and established in the trust agreement. Revocable Living Trusts are flexible. While alive, the grantor can change and amend the terms of the trust as his or her objectives evolve.

Besides being flexible, a Revocable Living Trust offers several estate planning advantages. Assets held in the trust avoid probate. By eliminating probate, heirs can receive their inheritance quicker, without public record, and without the costs of going through the probate process. Revocable Living Trusts are not an avoidance tool for long-term care expenses. There is no estate tax savings with Revocable Living Trusts as the value of the trust assets is included in the grantors estate.

Some “costs” to consider with revocable living trusts are those of preparing the trust document, transferring appropriate assets into the trust, and then subsequently managing the trust. A trustee is the person identified in the trust agreement that is responsible for executing the intentions and direction of the trust. A trustee can be an individual or individuals, or a trustee can be designated as an institution (corporate trustee).

Revocable Living Trusts are a beneficial way to keep the estate private and efficient without sacrificing flexibility. Consult your estate planning attorney for specific guidance and to determine the appropriateness of a Revocable Living Trust in your estate plan.

*Adam Smit is the President of Adam Smit Investment Management LLC. He is a registered principal of LPL Financial. His practice emphasizes an investment philosophy of investing in quality while holding for the long-term. He is not engaged in accounting or legal advice and such advice should be sought from a qualified source. It is recommended that you consult your attorney regarding the advisability of revocable living trusts and other estate planning documents. Securities offered through LPL Financial. Member FINRA/SIPC.*