

Living Trusts

Living trusts are often improperly promoted as federal income and estate tax planning devices. On the contrary, a simple living trust by itself offers no tax benefits, and, indeed may be inappropriate for larger estates. For this reason, a simple living trust works best with taxpayers of modest wealth. The chief benefit of a living trust is the avoidance of probate. Probate is the court-supervised distribution of property after your death. Each state has its own laws that determine how and when property will be probated. Generally, property that passes to the decedent's beneficiaries by either will or by operation of law is subject to probate. However, property that passes to beneficiaries on its own terms (life insurance, retirement plans, IRAs, certain bank accounts, and property held in trust) will avoid probate.

Avoiding probate means:

- avoiding the court costs and legal fees associated with the supervised distribution of your property;
- maintaining privacy as to your assets; and
- Avoiding possible delays in distributing assets to your heirs.

In addition to probate avoidance, a living trust allows you to retain control of your assets during lifetime, while providing for their disposition upon your death.

However, living trusts may not be for everyone. The savings from avoiding probate may be modest, especially when compared to the legal costs incurred in structuring, funding and administering a trust. More sophisticated estate planning will be necessary if, for example, you (or you and your spouse) own more than \$650,000 in assets, where state estate taxes will impact your estate, or if you hope to provide for minor children. Nonetheless, its benefits should spur you to start thinking about planning your estate now, in order for you to maximize control of your property.

Product availability and features may vary by state.