

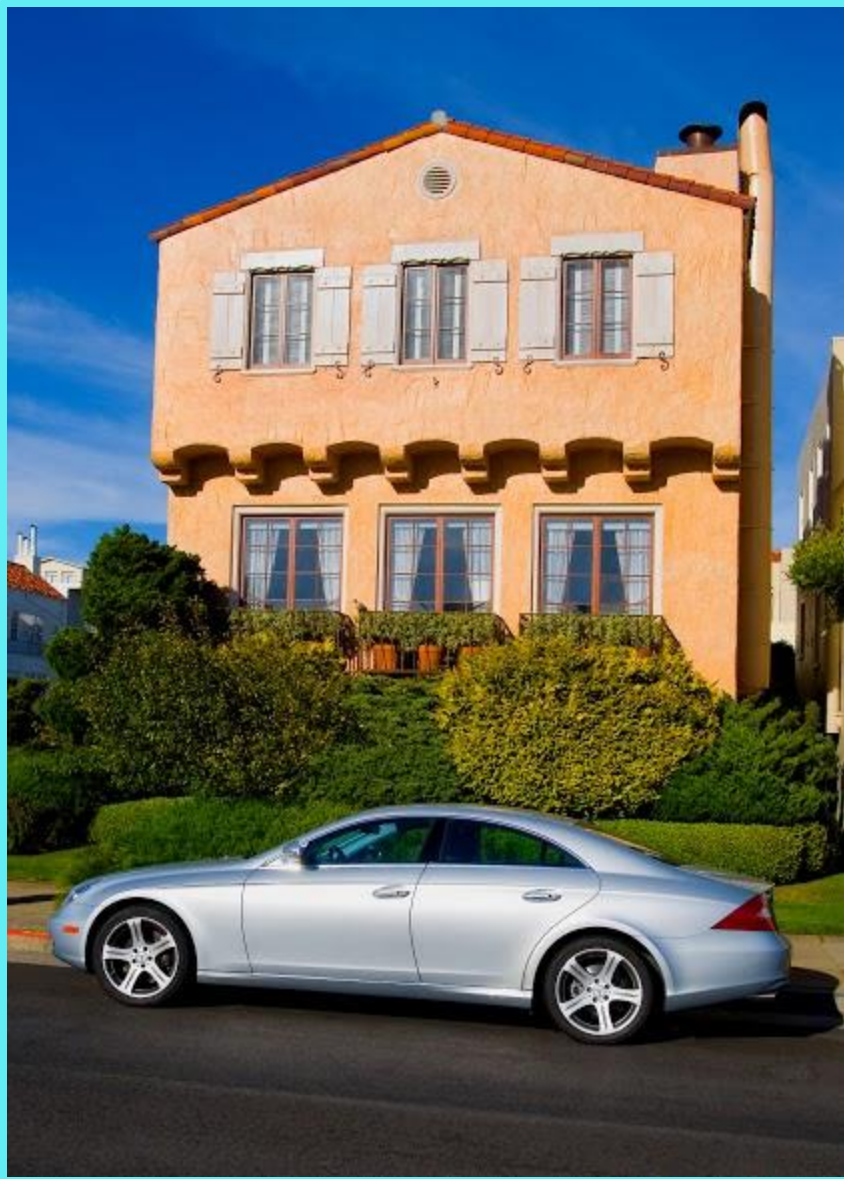
WHAT IS A REVOCABLE LIVING TRUSTS IN NORTHERN CALIFORNIA?

“A revocable living trust is an asset transfer vehicle that can facilitate efficient asset distributions outside of the legal process of probate. This type of trust can be useful for people of relatively ordinary means.”



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There are numerous different ways that you can make sure that assets get into the hands of your loved ones after you pass away. You should understand all of your options and make informed decisions.

Many people overlook viable options because they harbor misconceptions. You may assume that trusts are only useful for people who are very wealthy. High net worth individuals do utilize

certain types of trusts. However, all trusts are not created equal.

People of ordinary means can benefit from the creation of a revocable living trust. This type of trust would not necessarily be a good choice for very wealthy individuals, but a living trust can be quite useful for "the rest of us."

ONGOING CONTROL

You may assume that you lose direct control of assets that you convey into any type of trust. In reality, this is not the case. There are revocable trusts, and there are irrevocable trusts.

If you were to convey assets into an irrevocable trust, you would be surrendering incidents of ownership, because you could not revoke or rescind the trust.

These trusts are used by high net worth people who are exposed to the federal



estate tax, because assets conveyed into this kind of trust would no longer be part of the grantor's estate.

Things are different with a revocable living trust. Because the trust is revocable, you can dissolve

the trust and walk away with the assets in your direct personal possession at any time. The grantor of the trust can also act as the trustee and the beneficiary initially.

You retain incidents of ownership when you create a revocable living trust, so assets that are in the trust would be part of your taxable estate. However, if you are transferring less than \$5.43 million (this is the amount of the 2015

exclusion), you are not exposed to the estate tax, so this is probably not a concern.

VALUE OF REVOCABLE LIVING TRUSTS

Revocable living trusts can be a good choice, because assets in the trust can be transferred to the beneficiaries outside of probate. This is a legal process that can come into play if you are in direct personal possession of property at the time of your death.

Personally held property would become probate property at first. This is true if you have a will, and it would be true if you did not have any estate planning documents in all. As long as the total value of the property exceeds \$150,000, the full probate process would likely come into play.



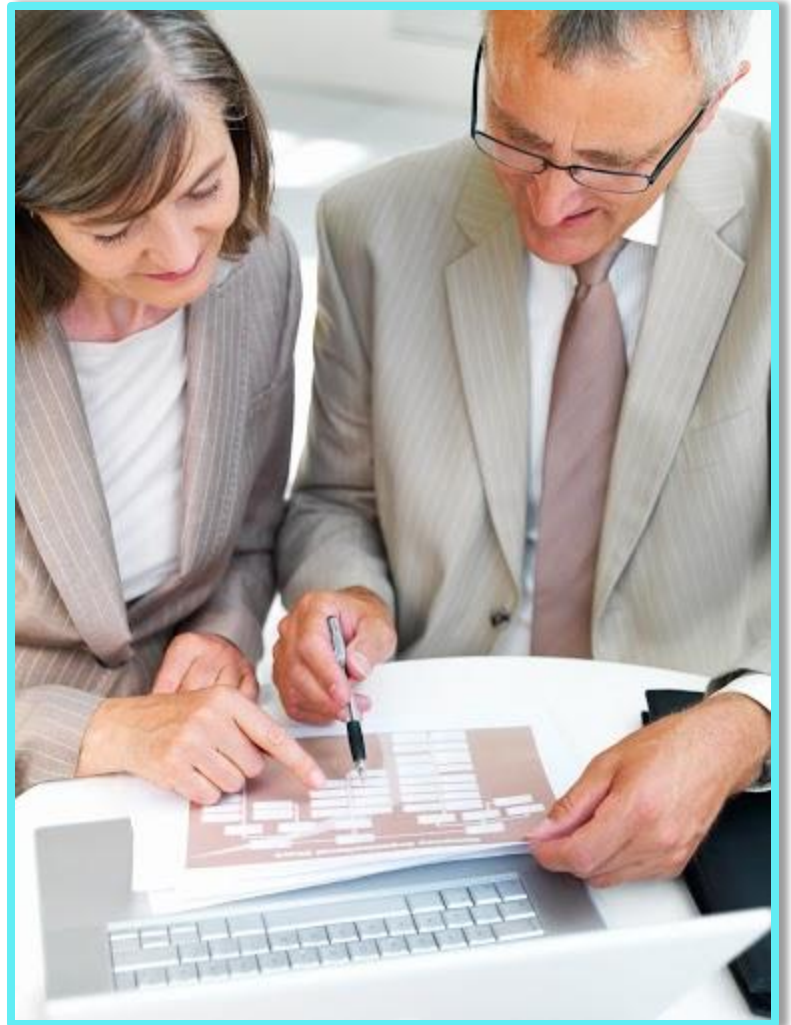
This process is in place to provide certain protections, but its existence is not

necessarily a good thing for the people who are in line for inheritances.

There are relatively significant expenses that can accumulate during probate, and these expenditures reduce the value of the estate that is eventually going to be transferred to the inheritors.

In addition to the expenses, there is another major drawback. Probate does not run its course in a day, a week, or a month. The heirs to the estate do not receive their inheritances while the estate is being probated, and it will take close to a year at minimum. This time lag can create genuine financial difficulties for some inheritors.

If you were to create and fund a revocable living trust, you would name a trustee to take over this role after your passing, and you would also name successor beneficiaries. In the trust agreement you set forth terms that the successor trustee would be compelled to follow.



After you die, the trustee would follow your instructions and distribute assets to the beneficiaries in accordance with your wishes, and the probate process would not be a factor. These distributions would take place outside of probate.

SUMMARY

A revocable living trust is an asset transfer vehicle that can facilitate efficient asset distributions outside of the legal process of probate. This type of trust can be useful for people of relatively ordinary means.

If you use a will instead of a trust, the probate process enters the picture, and it can be time-consuming and expensive.

To learn more about revocable living trusts, schedule a consultation with a licensed estate planning attorney.

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About the Author



Timothy P. Murphy

Timothy P. Murphy is an estate planning and elder law attorney whose practice emphasizes helping people to build, preserve and pass on their wealth. He works with his clients to accomplish their goals while avoiding unnecessary court proceedings and minimizing or eliminating exposure to death taxes. Mr. Murphy also assists families facing the myriad of problems associated with dealing with a loved one's declining health and rising needs for care. He has practiced law in the Sacramento area for 29 years, first with a large firm, and then with his own firm since 1987.

Tim has written a regular column on legal issues for Senior Magazine. He also was a regular featured guest on the Money Experts radio program heard locally on KFBK (AM 1530). Tim has been featured in the Sacramento Bee, Sacramento Business Journal, Sacramento Magazine, Comstock's Magazine and other publications on estate planning and related topics. He also assisted local Channel 3 (KCRA) in an investigative report on the trust mill problem in the Sacramento area and was featured on Channel 10 (KXTV) in its series on personal financial planning.

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