

# Revocable Living Trust

*(Inter-vivos Trusts)*

A trust is created when one person (the trustor or grantor) transfers to another person or a corporation (the trustee) a property interest to be held for the benefit of himself or others (the beneficiaries).

If the trust is created during the trustor's lifetime, rather than in his will, it is an inter-vivos or living trust. When the trustor retains the right to dissolve the trust arrangement, it is a revocable living trust.



## What Are Some of the Advantages?

- Assets in the trust are not subject to probate administration. This usually saves executor's and attorney's fees. It also grants more privacy as to who gets the trust assets, when they receive them and how much they get.
- Professional management is available if the trustor becomes incompetent, disabled or wants to be free of the worries of management.
- Should the trustor (also usually the original trustee) die, a successor trustee can step in and manage the trust assets without delay or red tape.
- Annual court accountings, with accompanying legal fees, are not required, although some states do not require annual accountings for testamentary trusts (will trusts), either.
- The trustee can collect life insurance proceeds immediately after the trustor dies and can (if permitted under the trust document) use the proceeds to care for family members without any need for court approval.
- A successor trustee can be in another state without problems.

## What Are Some of the Disadvantages?

- Creditors may not be cut off as quickly as they are in probated estates; e.g., four months in some states.
- A little more effort is required to transfer assets into the trust and records should be kept of transactions by the trustee.
- The attorney usually charges a higher fee to establish a living trust, as opposed to a testamentary or will trust. There may also be ongoing administrative charges.

**Note:** Assets in a revocable living trust are included in one's gross estate for federal estate tax purposes.