

LIVING TRUST

A Popular Way to Avoid Probate

A trust is an arrangement under which one person, called a trustee, holds legal title to property for another person, called a beneficiary. You can be the trustee of your own living trust, keeping full control over all property held in trust.

advantages of living trust
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• <i>Reduce estate taxes</i>
• <i>Set up long-term property management</i>

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A "living trust" (also called an "inter vivos" trust) is simply a trust you create while you're alive, rather than one that is created at your death.

Different kinds of living trusts can help you avoid probate, reduce estate taxes, or set up long-term property management.

WHY SHOULD I MAKE A LIVING TRUST?

The big advantage to making a living trust is that property left through the trust doesn't have to go through probate court. In a nutshell, probate is the court-supervised process of paying your debts and distributing your property to the people who inherit it.

The average probate drags on for months before the inheritors get anything. And by that time, there's less for them to get: In many cases, about 5% of the property has been eaten up by lawyer and court fees.

Still, not everyone has to worry about probate, and some people don't need a living trust at all.

HOW LIVING TRUSTS AVOID PROBATE

Most people want to leave as much of their money to their children, or other heirs, as possible - and want to avoid a big chunk of that money going to probate lawyers. That's where living trusts come in -- they can eliminate the need for probate and probate fees.

Probate involves inventorying and appraising the property, paying debts and taxes, and distributing the remainder of the property according to the will. When you make a living trust, your surviving family members can transfer your property quickly and easily, without probate. More of the property you leave goes to the people you want to inherit it.

TYPES OF LIVING TRUSTS

The two most common types of living trusts are:

- a basic living trust (for an individual or couple), which avoids probate, and
- an AB trust (for a couple), which both avoids probate and saves on estate tax

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