

If you're driven to transfer a vehicle's ownership to a trust, know the risks

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A revocable trust — often referred to as a “living trust” — can help ensure smooth management of your assets during life and avoid probate at death. And you may know that the trust isn't effective unless you “fund” it — that is, transfer ownership of your assets to the trust.

But what about assets such as automobiles and other vehicles? Should you transfer them to your revocable trust?

Navigate potential bumps in the road

If you still owe money on an auto loan, the lender may not allow you to transfer the title to the trust. But even if you own the vehicle outright (whether you paid cash for it or your loan is paid off), there are risks to consider before you make such a transfer.

As owner of the vehicle, the trust will be responsible if the vehicle is involved in an accident, exposing other trust assets to liability claims that aren't covered by insurance. So you need to name the trust as an insured party on your liability insurance policy.

On the other hand, because you're personally liable either way, owning a vehicle through your revocable trust may not be a big concern during your life.

But after your death, when the trust becomes irrevocable, an accident involving a trust-owned vehicle can place the other trust assets at risk. Keeping a vehicle out of the trust eliminates this risk. The downside, of course, is that the vehicle may be subject to probate, although some states offer streamlined procedures for transferring certain vehicles to heirs.

Steer your questions to us

If you're considering transferring an automobile or other vehicle to your revocable trust, please contact us. We'd be pleased to explain the ins and outs of such a move.

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