

Properly funding your revocable trust is the key to unlocking its benefits

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If your estate plan includes a revocable trust — also known as a “living” trust — it’s critical to ensure that the trust is properly funded. Revocable trusts offer significant benefits, including asset management (if you become incapacitated) and probate avoidance. But these benefits aren’t available if you don’t fund the trust.

Funding the trust

Funding a living trust is a simple matter of transferring ownership of assets to the trust or, in some cases, designating the trust as beneficiary. Assets you should consider transferring include real estate, bank accounts, certificates of deposit, stocks and other investments, partnership and business interests, vehicles, and personal property (such as furniture and collectibles).

Moving an IRA or qualified retirement plan to a revocable trust can trigger unwanted tax consequences. Rather than transfer these assets to the trust, be sure that the trust is properly designed to allow you to designate the trust as beneficiary and enjoy the tax benefits of doing so. For insurance policies and annuities, you can either transfer ownership or change the beneficiary designation. In some cases, it may be advisable to hold a life insurance policy in an irrevocable life insurance trust to shield the proceeds from estate taxes.

Avoiding a pitfall

Most people are diligent about funding a trust at the time they sign the trust documents. But trouble can arise when they acquire new assets after the trust is established. Unless you transfer new assets to your trust, or designate the trust as beneficiary, they won’t enjoy the trust’s benefits.

So to make the most of a revocable trust, be sure that each time you acquire a significant asset, you take steps to transfer it to the trust or complete the appropriate beneficiary designation. A living trust is a key component of many people’s estate plan. Please contact us to help ensure yours is properly funded.

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The Law Office of Eugene Gorrin, LLC
17 Watchung Avenue, Suite 204
Chatham, NJ 07928
973.701.9300
egorrin@gorrinlaw.com
www.gorrinlaw.com