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Common Reasons to Establish a Revocable Trust

A Revocable Trust is a contract between the trust maker (the Grantor) and the trustee that puts rules in place for the management of trust property for the beneficiaries of the trust.

Protection for Heirs

- You want to leave your assets to your heirs, but you want to put conditions on when and how they receive their share of assets.
  - For example, you want to stipulate that your heirs will receive their inheritance at three different ages or upon certain conditions being met, such as graduating from college.
- Assets inherited in a trust may be protected from creditors or a future divorce. This ensures your assets are available to your beneficiary to satisfy his or her needs.
- A properly drafted trust can also be used to protect assets from disqualifying a beneficiary from qualification for Medicaid or other government programs.

Ensure Assets Left to a Spouse will Passes According to Your Wishes at His or Her Death

- You want to support your surviving spouse, but also want to ensure that the remaining trust assets will be distributed to your heirs (e.g., your children from a first marriage) after your spouse dies.

Federal Estate Tax Planning

- If you are married, you can maximize your federal estate tax exemptions. If your estate exceeds the exemption amount (in 2024 $13,610,000) this amount can be placed in trust for the life of your spouse and then transferred to your heirs free of taxation in the estate of your surviving spouse. This allows married couples to pass double the exemption amount without taxes.
- This technique may become more important if the exemption amount decreased in 2026.

Incapacity Planning.

- You want to prepare for management of your property in the event you are not able to manage your own financial affairs due to incapacity.
- If you are unable to manage your own affairs your successor trustee would step in and manage your financial affairs to take care of you.
- This is often easier than relying on a financial power of attorney.

Planning for Multiple Contingencies

- A Trust allows you to specify multiple contingent beneficiaries. This is not possible or easy with beneficiary designations or payable on death or transfer on death.

Out of State Real Estate

- Out-of-state real estate owned by your Trust allows you to avoid probate in the state where the real estate is located.

Avoid Probate

- Any assets in a trust will avoid probate proceedings.
- Your successor trustee will have immediate access to your trust assets after your death without court intervention.
- Since probate is a public record, many people prefer the privacy that a trust can provide.

Revocable trusts do not provide asset protection to the person setting up the trust, including the cost of long-term care. Asset protection may be possible by using an irrevocable trust.

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