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## Blog

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# Part 3: Using a Revocable Living Trust to Exercise More Control

This article will explore the benefits and advantages of utilizing a revocable living trust to manage assets and maintain control over your financial affairs when you can no longer do so because of becoming incapacitated or passing away. By setting up a revocable living trust, you can create a legal entity that can hold your assets while allowing for more flexibility and control over how those assets are distributed and used.

A revocable living trust is not the only type available but applies for estate planning and orderly distribution of your assets when you pass away. This article will focus on the revocable living trust, a commonly used trust type.

### **Defining Terms**

Let us start by explaining some words people often use when discussing trusts. Even though these words may sound strange and complicated at first, you might find them simple once you understand the situation in which we use them. It is like following a common-sense set of rules for each word.

#### What is a "Trust?"

A trust allows you to control what happens to your assets when you are no longer here. Think of it as a legal treasure chest where you can put money, property, or other valuable things you want to give to others later, typically when you pass away.

Your trust will outline the care for your money or property according to your wishes. This way, you can ensure your money or property gets distributed in the way you planned without going through a long and expensive process in court. You may hear this referred to as having "control from the grave."



## Who is the Grantor?

Simply put, the grantor of a trust is you!

You are the person who “grants” the assets to the legal document and “grants” who will receive the assets.

Through a qualified attorney, the grantor (you) can create the trust and place these assets into the legal document. You can use trusts for various purposes such as providing for family members, protecting assets from creditors, and minimizing taxes.

One of the benefits in creating a trust is that you can retain some control over the assets while still benefiting from them. For example, you can set up a trust to provide for your children when you pass away but also retain the right to use those assets while you are living.

## Who is the Trustee?

If we think of a trust as a legal treasure chest where you put money, property, or other valuable items, think of the trustee as the person you “trust” to take care of your treasure chest. Someone who will distribute its contents according to your wishes.

The person you name as the trustee is responsible for ensuring the assets in your trust are taken care of and used in the way you want. As the owner (grantor), you get to choose the trustee – the person you rely on to carry out your wishes as stated in your trust documents.

In some cases, you can be the trustee of your own trust. Being the trustee gives you control over how your assets are managed and distributed. It means you get to make all the important decisions about the assets you placed within the legal binding document.

Plus, with certain trusts where you can be the trustee, you can change your mind about things and update it whenever you would like to do so. So, being in this position gives you more freedom and flexibility with your assets, which can be a good thing.

## Who is the Successor Trustee?

A successor trustee is someone who takes over managing and making decisions about your trust if you can no longer do so, perhaps because you passed away or have become incapacitated. Think of it as a backup plan for the trust, ensuring proper management of your property even if you cannot do it anymore.

## Who is the Beneficiary?

A beneficiary of a trust is the person or people who you choose to receive the “benefit” of property and assets outlined in the legal binding document. They will receive these assets based on the conditions you set because your trustee must follow those instructions stated in your trust. So, a beneficiary is a primary focus of a trust, the person(s) who will benefit from it.



## The Advantages of a Living Trust

Primarily, having a living trust can help ensure your assets are distributed according to your wishes after you pass away. It is a flexible document that is revocable during your lifetime but becomes irrevocable when you pass away, meaning no one can change what you wanted when you are no longer here.

Typically, in a revocable trust you are the grantor, the person granting the assets to the legal document, and the trustee, the person managing the assets.

Let us unpack those last two sentences because they are critical in understanding the flexibility of a revocable living trust and why you have more control with a living trust.

## Full Control While You are Alive

As the trust's grantor, you decide what assets go into the legal document and who will receive those assets when you pass away. Additionally, in most living trusts, you are also the trustee, meaning you control every aspect of the assets you place in the trust.

This control will include every benefit the assets provide: income, growth, the ability to collect rent, and the right to live in the asset (property). You are free to buy and sell the asset as you wish. If you decide to spend every nickel of your assets outlined in the legal document, you can because you still control the assets in the trust.

## Firm Control When You Pass Away

However, when you pass away, the living trust transition goes from being revocable to irrevocable, meaning no one can change the conditions of the legal document. Your trustee must abide by your wishes as stated in the document's provisions.

For example, you can ensure your children do not receive the assets until they reach a certain age or attain a particular milestone. If you want, you can direct the trustee to give the children income from the assets until they reach the prescribed age or milestone. The conditions established in the document by you and your attorney cannot be changed when you pass away unless you give the trustee the power to do so. Without that power, your trustee must administer the assets precisely as you detailed in your trust.

## Avoiding the Cost and Delays of Probate

One of the main advantages of a revocable living trust is that it can help your loved ones avoid probate court. Probate can be expensive, time-consuming, and emotionally draining for your heirs. By avoiding probate, you can distribute your assets quickly and more efficiently.



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### Naming the Person to Raise Your Underage Children

If you have kids who are still minors and want to ensure they are taken care of even after you are gone, using a revocable living trust can be helpful.

One advantage of using a revocable living trust is the way it can help you avoid probate court, which as we mentioned, can be time-consuming and expensive. Instead, you transfer your assets to your trust and then to your children without court involvement.

Your trustee can manage your assets and property for your kids if something happens to you. Or they can delegate it to your financial advisor. This way, your children will have someone to take care of their money and property until they are old enough to handle it themselves.

What if you named someone to be your children's guardian, and they are different from the trustee?

That is okay! The guardian is responsible for caring for your children's personal needs, including where they live and go to school. The trustee is responsible for managing the money and property in the trust for your children's benefit.

Another advantage is that you can set specific instructions for how your assets should be managed and distributed to your children. These instructions can include how much money is spent on their education, covering their healthcare, and when they should receive their inheritance.

### Privacy

Another benefit of having a living trust is privacy. When you pass away, your will becomes a matter of public record. This means anyone can access it and see the distribution of your assets, and who received them. However, a living trust is private, meaning your wishes and your estate's details remain confidential.

### **A Final Point**

A living trust can provide numerous benefits for you and your loved ones. It can help ensure the distribution of your assets according to your wishes, give you greater control over them, and offer privacy and protection for your estate.

However, one of the main goals of a revocable living trust is to give you peace of mind.



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