

TWO THINGS CERTAIN®

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The Most Common Mistake with Revocable Living Trusts

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Most estate planning failures can be traced to three fundamental shortcomings; a lack of understanding, a lack of implementation, or a lack of caring. When it comes to a Revocable Living Trust, lack of implementation will almost always sound the death knell. All too many people consider the signing of a trust as the final step in the estate planning process. This unfortunately is an incorrect assumption. Full implementation of a trust based estate plan only occurs once it has been fully “funded” after the signing.

A funded trust is achieved once all assets have been coordinated with the trust by retitling them into the name of the trust or having them beneficiary designated to the trust at death. Simply think of a trust as a bucket that has to be filled with assets. The particulars of adequately funding your trust depend on your personal circumstances and estate planning goals.

The typical assets that need to be coordinated with a trust are as follows: Checking Accounts, Savings Accounts, Certificates of Deposit, Money Market Accounts, Stocks, Mutual Funds, Qualified and Non-Qualified Retirement Accounts, Life Insurance Policies, Business Interests, and Real Property. Although the vast majority of client’s asset types are covered by this list, other types of assets do exist and every person should discuss their particular needs with their estate attorney.

At JGB we provide each client with custom instructions to coordinate their assets with their trusts. The funding of a trust is not difficult, nor does it require a licensed attorney to accomplish. JGB is ready and willing to assist with the funding of trusts, but it still remains the client’s responsibility to sign the appropriate paperwork with their respective financial institutions. When a financial advisor is involved in the management of a client’s investments, JGB can provide the custom funding instructions and trust certifications/affidavits directly to that advisor, with the client’s consent. The advisor can then streamline the process by preparing and executing the paperwork for their client’s accounts.

The phrase “time is of the essence” should always be taken to heart when funding a trust. All too often life can get in the way of trust implementation and a child’s graduation, a family vacation, or even remodeling a kitchen can take precedence over signing funding paperwork at your

financial institution. A good rule of thumb for a trust is to have all assets funded in the trust within thirty days of trust signing. Clients should routinely review the funding and terms of their trust at least every five years. For those clients that believe five years is too long to wait, our exclusive Trustguard review program has been invaluable for catching funding mistakes and making sure estate plans are always up to date.

Although funding a trust is quite painless, sadly it remains the number one mistake made with trust based estate plans. Simply put, an unfunded trust is arguably not worth the paper that it is written on. If you have questions or concerns regarding the funding of your trust, please contact our office so we can guide you through these very necessary steps. The success of your trust based estate plan is a direct result of both the quality of the draftsmanship and the coordination of your assets



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About the Author:

Spencer Baxter is an experienced problem solver who helps individuals and businesses achieve and protect their goals of prosperity, stability and growth through appropriate planning. Spencer takes great pride in making sure that his work for clients is always reliable, correct, and on time.

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