

One of the most misunderstood estate planning documents is a Revocable Living Trust.

During the grantor's life time, he or she creates a Trust and then must transfer ownership of their assets into the it. These assets are then managed by the named grantee, and upon the grantor's death, pass according to the directions contained within the document. However, many people do not need or want this form of estate planning.

When is an RLT beneficial?

An RLT can potentially:

- Eliminate or minimize probate,
- Avoid having an estate in two or more states, and
- Allow for the orderly administration of investments.

Does an RLT prevent litigation?

No. This document normally does not preempt any court proceeding.

Does an RLT shelter or otherwise preserve assets from litigation or Medical Assistance?

No. Your Trust can be revoked at any time while you are alive. Therefore, the assets in your RLT are subject to your creditors and available to pay for the cost of nursing home care.

Does an RLT automatically prevent the necessity to open an estate?

No, you must re-title your assets into your Trust for them to avoid passing through probate. A failure to do so could mean those assets become part of your estate.

Is an RLT inexpensive?

No. The preparation and administration of this type of trust is often an involved and expensive process.

Do you still need other estate planning documents?

Yes. A Revocable Living Trust may not include all of your assets and does not contain medical instructions, nor grant the authorities found in a Power of Attorney.

Does an RLT have income tax advantages?

No. Taxes are paid on the income generated by the assets in the Trust and that income is included on your personal tax returns.

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Does an RLT have estate tax advantages?

No. The assets in the Trust are included in the calculation for estate tax purposes.

Is an RLT the exclusive method to avoid probate?

No. You may name beneficiaries on your assets. This includes:

- **TOD** - Transfer on Death for stock accounts,
- **POD** - Payable on Death for bank accounts, and
- **LED** - Life Estate Deeds for real property.

These designations allow assets to pass directly to the person(s) of your choice upon your death, bypassing probate.

Is an RLT the exclusive method to avoid a guardianship?

No. Financial Powers of Attorney allow your Attorney-In-Fact (named agent) to manage your financial affairs and property.

POA's are usually less expensive to create and administer as well as normally less cumbersome than RLTs.

In summation, although a useful estate planning document in specific situations, a Revocable Living Trust is not an estate/probate cure all.

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ABRAHAM & BAUER, LLC
EXPERIENCE YOU CAN TRUST

Richard K. Abraham, Esquire

(O) 443-901-1333 • (F) 443-279-2953
staff@abrahambauer.com
504 Baltimore Avenue • Lower Level
Towson, MD 21204

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