

Pros and Cons of Revocable Living Trusts

A revocable living trust is an agreement stating how an individual's property will be distributed and managed during their lifetime and after their death.

One major benefit of a revocable living trust is that it allows your estate to avoid probate. Probate is a complex and time-consuming legal process by which a court decides how to distribute a person's assets after death. Another advantage of revocable living trusts is that they help protect your privacy. A will that's filed with a probate court becomes public record, whereas a living trust remains private. Furthermore, if you become incapacitated while your trust is in effect, your successor trustee can simply take over the management of your assets.

While there are plenty of good reasons to establish a revocable living trust, there are also some disadvantages to consider. First, revocable living trusts will cost more than you'd typically spend on a will. That said, you might actually save money in the long run by avoiding the expense of probate, which can cost up to 5% of the value of your estate. Another downside of living trusts is that transferring assets can be both time-consuming and often forgotten. You'll need to move assets into the name of the trust, a process that could involve a fair amount of paperwork. Additionally, a living trust doesn't negate the need for a will. If you have assets not covered by your trust, you'll need a will to dictate how those assets are distributed after your death. Furthermore, you must use a will to appoint guardians for your minor children.

A revocable living trust can be a useful estate-planning tool, so take the time to investigate whether it pays to set one up.

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