

# WHAT IS A REVOCABLE LIVING TRUST IN CALIFORNIA?

*“If you have not explored the subject very extensively, you may have certain impressions about estate planning. It can seem like a trust is something that only very wealthy people would utilize. Last wills are for “the rest of us,” right.”*



In reality, this is not entirely true. Without question, there are certain types of trusts that are used by high net worth individuals who have estate tax and asset protection concerns. These are irrevocable trusts.

However, there is another type of trust called a revocable living trust that can be very useful for a wide range of people who have been reasonably successful from a financial standpoint. We will look at the facts in this paper.

## **No Loss of Control**

If you were to create a revocable living trust, you would be referred to as the grantor of the trust. You may assume that you lose direct control of assets that you convey into the trust, but this is not the case when you have a revocable living trust.

The person or entity who administers a living trust is called the trustee. You can act as the trustee while you are alive and well, so you would be the person controlling the actions of the trust.

The individual who receives monetary distributions from the trust is called the beneficiary. The grantor of the trust can also act as the beneficiary at first.

Because you can act as the trustee and the beneficiary, you are maintaining complete control of the trust. Plus, remember, the trust is revocable. If you ever choose to do so, you can dissolve the trust entirely. The assets would once again be in your direct personal possession.

## Efficient, Measured Asset Distributions

You retain control of the trust while you are alive and well, and you have the right of revocation. This is comforting, but you are creating the trust as an estate planning vehicle. The point is to facilitate postmortem asset transfers, so you name a successor trustee to administer the trust after you are gone. You also name a successor beneficiary, or you could name multiple beneficiaries.

One of the nice things about a revocable living trust is the fact that you do not have to allow for lump-sum distributions. You may want the trustee to distribute assets to the beneficiary over an extended period of time so that the beneficiary does not use up the inheritance too quickly.

Though you can name someone that you know to act as the trustee, you may want to consider the utilization of a trust company or the trust section of a bank. A professional fiduciary would administer the trust in accordance with industry standards, and there would be no emotional attachment. The trustee would be legally compelled to follow the instructions that you leave behind in the trust agreement, and the best interests of the beneficiary would be served.

Another advantage that you gain when you create a revocable living trust is the facilitation of probate avoidance. The trustee would be empowered to follow your instructions and distribute assets to the beneficiary outside of the probate process. As a result, money could get into the hands of the beneficiary in a relatively timely manner.

On the other hand, if you were to use a last will as your vehicle of asset transfer instead of a trust, the will would be admitted to probate after your passing. The process is time-consuming, and the heirs would not receive their inheritances until the probate process was completed. This will typically take close to a year at minimum.

## **Incapacity Planning**

Many seniors become unable to handle their own finances at some point in time. There are multiple causes of incapacity, but Alzheimer's disease alone is a very big threat.

To prepare for possible incapacity, you could empower the successor trustee to administer the trust in the event of your incapacitation.

## **Summary**

A revocable living trust is a legal device that is used in the field of estate planning. When this type of trust has been established, the grantor can retain control the assets while he or she is alive and well.

When the trust declaration is being created, a successor trustee is named, and a successor beneficiary will also be added. After the death of the grantor, the successor trustee would distribute assets to the beneficiaries outside of the time-consuming process of probate.

To learn more about revocable living trusts, set up a consultation with a licensed estate planning attorney.

## References

Investopedia

<http://www.investopedia.com/articles/pf/06/revocablelivingtrust.asp>

USA.gov

<http://www.usa.gov/topics/money/personal-finance/trusts.shtml>

## About the Author



Attorney Caprice L. Collins is a top rated Harvard Law School graduate. She has 34 years of legal experience with a successful law practice devoted exclusively to Estate/Business Planning and Trust Administration. Attorney Collins is a well-respected keynote speaker on Wills, Living Trusts, Estate Planning, Business Planning and Trust Administration. She has appeared on California's Real Estate Radio Station KTLK AM 1150 as a legal expert on Estate Planning and Living Trusts among many other notable media appearances.

Attorney Collins has substantial experience in Estate Planning for high net worth individuals using Family Limited Partnerships and other business entities to provide Asset Protection to their families. She has assisted organizations in their fundraising efforts by authorizing articles for their publications and conducting free seminars to their donors on advance Estate Planning Strategies such as Charitable Remainder Trusts, Family Living Partnerships, Irrevocable Life Insurance Trusts and Qualified Personal Residence Trusts. She also provides FREE Seminars on Living Trusts, Asset Protection and Business Planning to civic, faith-based, professional and business organizations.

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