

IS A REVOCABLE LIVING TRUST RIGHT FOR YOU?

Depending upon your individual circumstances, a revocable living trust could be a valuable estate planning tool, helping to streamline and simplify wealth transfer to your heirs and provide you with privacy, flexibility, and control of your assets. In this white paper, we describe some of the potential benefits of a revocable living trust.

REVOCABLE LIVING TRUSTS: AN OVERVIEW

A revocable living trust is an agreement created by an individual (the grantor) designating a person and/or an entity as trustee to administer the trust. Often the grantor will act as the trustee, with a successor or co-trustee named to ensure continuity in the event the trustee becomes disabled and/or dies.

The grantor retains control over the trust, including the ability to amend or dissolve it if circumstances change and to determine what assets are owned by the trust, which can include illiquid assets such as real estate. Upon the grantor's death, the trust becomes irrevocable and provides how the trust property will be distributed. This disposition can include the creation of continuing trusts (created within the revocable trust agreement) for the grantor's beneficiaries.

To fund a trust, securities, real property, personal property, and other assets must be purchased and/or re-registered in the name of the trust. While the grantor is living, any income generated by the trust passes through to him under his social security

number (although a separate taxpayer identification number can be assigned) and does not require a separate income tax return. Assets in a revocable trust are included in the grantor's estate for estate tax purposes and qualify for a step up in the tax cost basis. A revocable trust does not provide creditor protection or tax savings.

ADVANTAGES OF REVOCABLE LIVING TRUSTS

Avoids Probate Administration

When the grantor dies, a revocable living trust typically does not require approval from a court to pass assets to its beneficiaries, saving them court fees and giving them quicker access to the inheritance. Thus, assets ordinarily are more immediately available to pay for funeral costs, estate taxes, administration expenses, and debts, and any property in the trust is available for liquidation, if necessary. In order to avoid probate, the grantor must take the important step of funding the trust by retitling assets to the trust during his lifetime. Any assets passing by beneficiary designation or joint

ownership will pass by operation of law directly to the beneficiary and/or joint owner.

Offers Privacy

The avoidance of probate administration ensures that the revocable living trust remains a private document, unlike a probated Will, which becomes a public document that can be viewed in its entirety. With a revocable living trust, the grantor and trustee decide who has a right to access it.

Ensures Continuity During Disability

A revocable living trust authorizes a pre-selected successor trustee to immediately begin taking care of a grantor and his family in the event the grantor is also the trustee and becomes physically or mentally incapacitated and unable to manage his own affairs—without going through the court system to request a conservatorship. A power of attorney can also provide continuity of management, however, the process of having the power of attorney recognized is not as seamless, and the power of attorney is not effective if the appointed agent is no longer available to act.

Provides Ongoing Asset Management for Beneficiaries

A revocable living trust can continue to receive ongoing investment management services in the event of the grantor's death or disability. Without a trust in place, an individual investment management account typically freezes upon the account holder's death, often until an executor is appointed on behalf of the grantor's estate who has legal authority to act on behalf of the estate's assets. This leaves the account without active management for what could be several years or months.

Enables Out-of-State Property Administration

If an individual dies owning real estate in his sole name in multiple states, an ancillary probate proceeding in each state is required. To the extent real estate outside of the grantor's state of residence is re-titled to the trust during the grantor's lifetime, the need for ancillary probate proceedings in those states are not necessary. This saves the grantor's estate time and money since the property can be sold or transferred upon the grantor's death without a court proceeding.

First Manhattan – Stay in the Know

The best way to determine if a revocable living trust is the right estate planning tool for you is to speak with an attorney about your situation. As part of your broader team of advisors, we are happy to participate in that conversation. Please contact us if we can be helpful to you in any way.



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