

Why I Chose a Living Trust

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My wife, Barbara, and I established a living trust many years ago. After research into how to best protect worldly items that we wanted to eventually pass on to our children, we came to the conclusion that a living trust represented our best path to this long term goal.

Contrary to common belief, a living trust is not a concept that benefits only the wealthy. It can, in fact, be of tremendous benefit to those with modest estates. My very recent experience is evidence of this.

My father died in 1985. My mother recently passed away in Detroit on December 27, 2004. She was 96. My two brothers and I were present. We are sad, but relieved that she went peacefully and grateful that the three of us were with her at the time. My brothers and I have since been dealing with estate matters. My parents were good old fashioned working class people. Their estate is not large, but they had the savvy and foresight to set it up wisely. They established a living trust many years ago.



Since the very moderate assets of my parents were in a living trust, there is NO ESTATE TAX on the estate. Had they NOT had a living trust, estate taxes would have been approximately \$200,000. My mother's estate lawyer confirmed this. While I won't attempt to explain it here, a very special feature of a living trust allowed us to avoid providing a large financial gift to the IRS.

Also, since my mother's house was in the trust, there will be virtually no capital gains tax when the house is sold. Had my mother set things up so that my brothers and I were joint owners of the house with her, we would have to pay approximately \$37,000 in capital gains taxes when we sell the house. A similar situation applies to securities she owned, all of which were in the trust and NOT in join ownership with her three sons.

Assets in a living trust avoid probate, and hence probate fees (which can be considerable). Also, a will only goes into effect only when an individual dies. A living trust can go into effect while one is still living. This feature could be extremely important if one becomes incapacitated and unable to manage his/her personal financial matters.

There are many advantages to having assets in a living trust. However, I claim no expertise on matters relating to such trusts and I'm not suggesting that all families should establish one. I'm only suggesting that even those with modest incomes do some personal research into the feasibility of establishing this protective mechanism for your financial resources. As previously mentioned, Barbara and I established a living trust many years ago. I am now totally convinced that our children will benefit from this in future years.

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P.S.

I'm only 6 months into retirement, but I now feel comfortable with retirement issues such as Medicare (Parts A and B), supplemental insurance, social security, prescription drug cards, TIAA-CREF retirement benefits, etc. As is true with living trusts, I claim no expertise, but I would be will to attempt to answer questions about these things.