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Be informed when you consider a Revocable Living Trust's pros and cons

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"Whoever preaches with love preaches effectively." - St. Francis de Sales Last month, my column described a Revocable Living Trust. As promised in that article, this month's topic would outline the pros and cons, or benefits and potential drawbacks of an RLT.

It is good to be fully informed and visualize the best estate plan for you and your loved ones. Some of the primary reasons to have an RLT are security, privacy, flexibility, professional management, control and tax savings. These are features many people desire.

A living trust provides uninterrupted asset management if you become ill or incapacitated, that is, if you have named a successor trustee. This eliminates the need for courts to appoint a conservator or guardian. This is a unique security feature of a trust. Privacy is desired by many people when structuring estate plans. When creating a living trust, it is comforting to know that a trust is not subject to public scrutiny like a standard will.

A trust avoids probate, which is a state-sanctioned system that oversees the administration of your will. RLT benefactors and the amounts they receive are confidential. An RLT is amendable — thus, it is flexible and controllable. You can amend or even completely revoke or dissolve it while you are alive. If you make a trust irrevocable, then you "lock it in" and cannot change it.

In most cases, it is better to have a revocable trust. I have witnessed people who change their estate plans for various reasons and need flexibility in their trust agreement. Having assets professionally managed by someone other than you is another benefit of an RLT. Various trust agencies can lift the burden of managing investments such as real estate.

You may still desire active involvement in setting goals or suggesting investment strategies, but the management firm can handle the day-to-day oversight. This can free up your time so you can spend more time with family and friends, developing business ventures, travelling or enjoying a long desired hobby.

Another positive attribute of an RLT is the potential to maximize federal estate tax exemptions. If you designate the trust assets to charity such as the Catholic Development Foundation, your parish or the Diocese of Fargo, then the federal estate taxes are basically eliminated.

You have worked hard, disciplined your spending and savings plan, and have been blessed in many ways. Prudently planning your estate to minimize taxes is beneficial to you, your family and the charitable causes you support.

There are some potential drawbacks with an RLT. There is an initial expense to draft a trust document, which can be higher than those required to draft a will. With a new entity, such

as an RLT, segregated administrative tasks - accounting, annual reports and income distribution - need to be completed in specified time frames. These factors will change the way you do business. Thus, it is wise to have a professionally drafted trust agreement with defined guidelines.

Other factors to consider are estate taxes. Although assets inside an RLT avoid probate, they are still subject to estate taxes, especially if the assets are not gifted to a charitable organization. Further, trust language only protects assets held by the trust.

Some assets, such as IRAs, retirement plans and jointly owned assets cannot be transferred into an RLT. If the trust creator fails to transfer eligible assets into an RLT then a "pour over" will is needed. Again, having a well drafted document is important so RLT benefits are maximized.

To learn more about this topic and other estate planning ideas go to the Diocese of Fargo website at www.fargodiocese.org then select Stewardship/ Donate and Planned Giving. Or, call me at (701) 356-7926. We can visit about your estate plan and charitable dreams.

Again, thank you for prudently planning your estate. It is one of the greatest things you can do for your family and the charitable causes you support. "Bear with one another charitably, in complete selflessness, gentleness and patience." - Ephesians 4:2

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