

## THE ABC's OF LIVING TRUSTS

**I DON'T WANT TO HEAR ABOUT LIVING TRUSTS. THEY'RE FOR RICH PEOPLE.**

Actually, no they aren't. Any person who owns real estate in California should have a living trust simply to avoid probate. Probate fees on a \$500,000 house will be \$13,000 for the attorney and \$13,000 for the executor. This is often wasted money that comes out of your heirs' pockets!

**WHAT IS A LIVING TRUST, ANYWAY?**

A living trust acts like a Will to transfer property when you die, and is simply a different way to own property while you're alive. Without losing any control over your property, you are able to bypass the probate process, sometimes saving many thousands of dollars.

**SOUNDS COMPLICATED. I THOUGHT IF I OWNED MY HOUSE IN JOINT TENANCY WITH SOMEONE, THAT WOULD AVOID PROBATE?**

Yes, it does. But what if you and your co-owner die together in an automobile accident? There would then have to be TWO probates, one for each half of the house! Also, owning as joint tenants has the disadvantage of leaving the entire house to the friends and relatives of the last one to die, rather than allowing each of you to make a gift of your interest in the house after both of you are dead.

**I DON'T UNDERSTAND THE PROBLEM. I WANT MY CO-OWNER TO HAVE THE HOUSE IF I DIE FIRST.**

OK. So you die and the house belongs outright to your co-owner. When your co-owner dies, whether that's two minutes after you died (in that common accident) or two decades after you died, the entire property will go to his or her friends and relatives. Your friends and relatives will not benefit at all.

**MY CO-OWNER IS MY SPOUSE, AND I KNOW HE/SHE WILL TAKE CARE OF OUR KIDS, SO THAT MAKES OWNING IN JOINT TENANCY OK, RIGHT?**

It's OK if you're willing to live with some uncertainties. Are you OK with everything going to your spouse's next spouse? Are you OK with everything going to your spouse's children by his or her next spouse? Even without a remarriage, if your spouse dies without an estate plan, your kids will inherit everything at age 18. Does that seem wise? How many Corvettes are too many? Who will be in charge of their inheritance until they turn 18?

**WHAT IF I JUST HAVE A WILL? THAT TAKES CARE OF THE KIDS, DOESN'T IT?**

Yes, but see the costs of probate at the top. Wills mean probate. The only way to avoid probate is to be really poor or to have a living trust.