

What Happens to My Living Trust When I Am No Longer Living?

Many people in Texas work with an estate planning attorney to set up a revocable living trust to avoid probate. Others set up living trusts to provide care for loved ones with special needs or for other purposes. These trusts differ from testamentary trusts which only take effect after the grantor passes away.

So if you've set up a living trust, it is important to know what will happen with that trust after you're gone. The answer depends on the type and purpose of the trust.

Revocable Living Trusts

If you have a revocable living trust, you probably serve as the trustee and are designated as the primary beneficiary. This allows you to continue to manage your property and enjoy the use of it just as you did before the trust was created.

Your trust document should also designate at least one successor trustee and successor beneficiary. When you pass away, these individuals will take over as trustee and beneficiary.

Duties of the Successor Trustee

The successor trustee to your revocable living trust will not need to notify the court or go through probate, but certain steps will be required, including:

- Notifying the beneficiaries

- Getting copies of the death certificate

- Alerting the Social Security Administration, life insurance companies, and retirement plan administrators

- Taking any necessary steps to preserve trust property and ensuring all property is funneled

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into the trust

Paying bills and taxes

Closing accounts and distributing assets to beneficiaries according to the terms in the trust document

If beneficiaries need assets before other matters have been finalized, it may be possible to direct some preliminary funding to them. Once the distribution is completed, the trust will be terminated.

Irrevocable Trusts

Generally, for an irrevocable trust to fulfill the goals, the grantor cannot also serve as the trustee. After the death of the grantor, the trustee designated in the trust document will continue to serve according to the trust terms. If the trust is set up to provide assistance to beneficiaries on an extended basis, then the trust will continue to operate.

If the trust was set up to end at the time of the grantor's death, then the trustee may be distributing the remaining assets to beneficiaries and closing the trust relatively soon after the passing of the grantor. The trustee will have many of the same obligations as the successor trustee of a revocable trust, such as notifying key parties and settling taxes and other debts. The terms of the trust may require more formal administration, such as preparing a thorough inventory of assets and obtaining professional appraisals of particular properties.

The Nordhaus Firm Can Assist with Trust Administration

Regardless of the type of trust, trustees often need guidance about the legal obligations and the steps to take in administering the trust. The Nordhaus Firm is always ready to help.

Whether you have just a few questions or you would like assistance managing all aspects of trust administration, we offer experienced and patient guidance to get you through the process in compliance with all requirements. Schedule a consultation today to learn more about how we can help.