



Funding Your Trust Is A Must

THE ALTERNATIVE CAN BE QUITE COSTLY

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While you are making plans for your next family vacation and have your checklist of things to do, be sure to add properly funding your trust before you leave. With the rapid changes in the banking industry, and in our busy lives, we recommend that you review your trust assets on an annual basis.

What is "Funding"?

A California trust doesn't exist until it is funded with at least one asset. Funding a trust isn't rocket science; it just takes someone to get it done and to get it done right. It is a common misperception that once your trust is signed it can just sit on a shelf until it is needed in the distant future. It can be catastrophic at death when a trust has insufficient and outdated funding.

Funding is the process of moving assets that have been titled in an individual's or married couple's names, joint tenancy or other forms of titling, and retitling them into the name(s) of the trustee(s) of a trust. As long as the Trustor is also the Trustee, the account holder still retains complete control and enjoys the benefits of their hard-earned assets while receiving the added protection of probate avoidance upon their death.

Probate is a very costly and time-consuming court process that can be avoided by properly placing your assets into trust. A typical southern California probate can run anywhere from \$20,000-\$50,000 compared to forming a trust at a mere fraction of that cost. Probate can also take one to several years before your beneficiaries get a dime while, with a properly funded trust, your beneficiaries have access to trust assets immediately.

What is the Problem?

As a trust administrator, almost all trusts I have worked with has had problems with its funding, primarily due to neglect of the Trustor in keeping their Schedule of Assets up to date. I see short-cut versions of funding with \$10.00 in "seed money" to make it a technically legal California trust. I see Schedules listing "any and all bank accounts" and "any and all brokerage accounts" with no detailed information. Both of these funding schemes are woefully

fully inadequate yet used by many estate planning attorneys or in do-it-yourself kits. Just as problematic are those Schedules of Assets that are most common - those that are outdated leaving the trustee without a proper roadmap to follow when the time comes to collect and distribute the trust assets.

Case Example #1: A deed on the Trustor's home to their trust was signed but not recorded. Even though the home was listed on the Schedule of Assets, the trustee was forced to open a court procedure which tripled the cost of a regular trust administration because the deed was not actually recorded.

Case Example #2: Bank or Company names from a bygone era which had merged into new names were not updated on the Schedule of Assets requiring more research than necessary, increasing the time and expense of the trust administration.

Case Example #3: Brokerage accounts named in an old trust but not moved forward into the new trust with different beneficiary allocations. The trustee was forced to handle assets in two trusts doubling the amount of paperwork necessary for proper distributions.

Case Example #4: A house that used to be in trust was taken out of trust by the mortgage company upon a loan modification or refinance but it was not put back into trust. This led to a \$30,000 probate that could have been easily avoided by an annual trust asset review.

What is the Solution?

It's simple. Take time each year to review your Schedule of Assets and make sure all of your assets without beneficiary designations are included. Verify that your bank and brokerage statements reflect the name of your current trust and check the deed on your house to make sure it is in trust. Don't forget items such as stock certificates or savings bonds - they should have the name of your trust directly on them. Before I became a professional trust administrator, all of the above could have happened to me. Now that I know better, my goal is to ensure that my children have an accurate roadmap to immediately access my assets after I am gone. If you would like assistance, our office offers complimentary annual reviews of your trust and/or its funding. Whether you do it yourself or have someone else do it for you, it is imperative that you get it done and get it done right.

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