

A RESOURCE GUIDE FOR:

REVOCABLE LIVING TRUSTS



What Is a Revocable Living Trust and Who Should Use One?

For high net worth families, estate planning is about more than just passing on wealth, it's about efficiency, privacy, and control. One of the most popular tools for achieving these goals is the revocable living trust. But what exactly is a revocable living trust, and who stands to benefit most from using one?

Understanding the Revocable Living Trust

A revocable living trust is a legal arrangement where you (the grantor) transfer ownership of your assets to a trust, typically serving as your own trustee during your lifetime. You retain the right to amend or revoke the trust at any time. Upon your death or incapacity, a successor trustee steps in to manage and distribute the assets according to your wishes—without the need for probate court intervention.

The Key Advantage: Avoiding Probate

Probate is the court-supervised process of settling an estate, which can be time-consuming, costly, and public. For high net worth families, especially those with real estate or business interests in multiple states, probate can become even more complex and expensive. A fully funded revocable living trust allows assets to pass directly to beneficiaries, bypassing probate entirely. This not only saves time and money but also avoids the need for multiple probate proceedings in different states.

Privacy and Efficiency

Unlike a will, which becomes a public record during probate, a revocable living trust generally keeps your financial affairs private. This is particularly valuable for high net worth individuals who may wish to shield their estate details from public scrutiny or potential security risks. Additionally, if you become incapacitated, your successor trustee can step in immediately to manage trust assets, avoiding the delays and costs of court-appointed guardianship.

Cost Considerations

While there are upfront legal and administrative costs to establish and fund a revocable living trust, these are often offset by the savings from avoiding probate fees, executor commissions, and potential legal challenges. However, the trust must be fully funded, meaning all relevant assets are retitled in the trust's name, to realize these savings.

Potential Drawbacks

Revocable living trusts are not without disadvantages. If assets are not properly transferred into the trust, probate may still be required for those assets. The process of retitling assets can be time-consuming and costly, and the trust itself does not provide any income or estate tax savings, the assets remain part of your taxable estate. Additionally, the lack of court supervision can be a double-edged sword if the trustee acts improperly or if there are disputes among beneficiaries.

Minnesota-Specific Considerations

In Minnesota, probate is generally more streamlined and less expensive than in many other states, thanks to the Uniform Probate Code. For residents with all assets in Minnesota, the probate avoidance benefit may be less significant. However, for those with property in multiple states, a revocable living trust can help avoid ancillary probate elsewhere. Privacy remains a key advantage, as probate proceedings are public in Minnesota, while trust administration is typically private.

Who Should Use a Revocable Living Trust?

High net worth families with complex assets, real estate in multiple states, or privacy concerns are prime candidates for a revocable living trust. It is also a valuable tool for those seeking to streamline incapacity planning and ensure efficient, private transfer of wealth to future generations. However, the decision should be made in consultation with experienced advisors, weighing the costs, administrative requirements, and specific family circumstances.

In summary, a revocable living trust is a powerful estate planning tool that offers significant advantages in privacy, efficiency, and probate avoidance, especially for high net worth families with complex needs and multi-state assets. Properly structured and funded, it can provide peace of mind for you and your heirs.

The information contained in this document is for informational purposes only and does not constitute formal tax or legal advice. Please consult with a qualified professional regarding your specific circumstances before taking any action.

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Greg is a Tax Partner at Boyum Barenscheer, working closely with business owners on tax and estate planning strategies that make sense for both their companies and their families. He helps clients create estate plans that support business goals, succession planning, and family priorities, preserving wealth and setting the stage for a smooth transition to the next generation. Known for breaking down complex financial topics into practical, actionable guidance, Greg focuses on strategies that balance today's needs with long-term goals.