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## FREQUENTLY ASKED QUESTIONS ABOUT REVOCABLE TRUSTS (LIVING TRUSTS)

### 1. WHAT IS A REVOCABLE TRUST?

A trust is a contract where one person transfers property to a trustee (normally himself) for the benefit of a beneficiary. If the creator retains the right to dissolve the trust, it is a "REVOCABLE TRUST".

A revocable trust can "AVOID PROBATE". This is an important advantage of a revocable trust; it represents a great savings in time and money.

### 2. DOES A BANK OR TRUST COMPANY HAVE TO BE INVOLVED?

No, the law doesn't require a corporate trustee.

### 3. WHAT IS THE COST OF PROBATE?

Statutory fees and commission of attorneys and executors are computed on the gross value of the estate as follows:

The first \$100,000 at 4%, the next \$100,000 at 3%, and the next \$800,000 at 2%.

For example, on a \$200,000 estate the statutory fee for the attorney is \$7,000. The statutory fee for the executor is also \$7,000. There are additional costs for filing, probate referee and publication.

### 4. IF I SET UP A TRUST, IS A WILL ALSO REQUIRED?

Yes, a "POUR-OVER WILL" is drafted along with the trust; it acts as a safety net. If you forget to put your assets into the trust, then the will would pick up those assets at the time of your death and transfer them into the trust.

### 5. CAN A REVOCABLE TRUST SAVE ESTATE TAXES?

Yes, a revocable trust can save a great deal in estate taxes for large estates.

### 6. IS IT NECESSARY TO PUT PERSONAL PROPERTY INTO THE TRUST?

Household items of nominal value need not be put into the trust, but normally are.

7. MUST I TRANSFER ALL MY ASSETS INTO THE TRUST?

No, but to avoid probate, you want to transfer all of your large assets into the trust. An asset normally not transferred into the trust is your personal checking account.

8. DOES A REVOCABLE TRUST MAKE SENSE FOR A SINGLE PERSON?

Yes, trusts are just as effective for a single person as they are for a married person. It doesn't matter whether or not they are a widow, widower, or bachelor.

9. DOES A TRUST MAKE SENSE FOR SMALL ESTATES?

Yes, because that individual can still avoid probate. Trusts can be set up for any size estate.

10. DOES THE REVOCABLE TRUST PREVENT YOU FROM BORROWING ASSETS IN THE TRUST?

No, although lenders want to see a copy of the trust, the trust doesn't restrict your rights to borrow on assets in the trust in any way.

11. DOES THE REVOCABLE TRUST PROTECT ME AGAINST MY CREDITORS?

No, the revocable trust doesn't act as a shield to protect you from creditors.

12. MUST SPECIAL INCOME TAX RETURNS BE FILED?

No special tax forms are required as long as husband and wife, or one alone is receiving all income from the trust.

13. WHY IS IT IMPORTANT TO TRANSFER ASSETS INTO THE TRUST?

To avoid the problems and difficulties of probate.

14. DOES MY WILL AVOID PROBATE?

No, the will doesn't avoid probate. All the assets passing through the will pass through probate. Title clearing is a process of probate. Probate is expensive, time intensive and open to the public.

15. WHO ARE THE PARTIES OF THE TRUST?

- a) The CREATOR of the trust, most times referred to as the trustor or settlor.
- b) The MANAGER of the trust, called the trustee.
- c) The BENEFICIARY, this is for whom the trust was established.