What is "Funding" Your Trust?

Funding your Trust is the process of placing your assets and property into your Trust. Sometimes, this will mean changing ownership and title of your assets into your Trust. Other times, it means changing the beneficiary designations on a policy or account to your Trust.

Why is "Funding" So Important?

If you have not funded Your Trust, then your estate planning is incomplete. One of the advantages of estate planning is that it avoids the delays and expenses of probate for your property. However, it can do that only if the property is in the Trust. By failing to put your property in the Trust, you will miss out on one of your Trust's significant advantages.

What Happens if I Miss an Asset?

It is not the end of the world; your Trust will still work. There is always a chance an asset will be missed or forgotten. We have a Pour-Over Will for this reason. What this type of Will does is take any assets that have not placed into your Trust and puts them into your Trust at your death. We don't want to have to rely on the Will to do this since it requires the asset to go through probate, but at least it still ends up in your Trust to be distributed according to its instructions.

Who Handles the Funding of Your Trust?

That depends. A good estate planner will help you fund most of your property into your Trust, but there may still some funding you need to do on your own. Your attorney, though, will make sure to identify what property that is and how to go about transferring it.

What Assets Should be in My Trust?

That depends on the assets, but you should consider placing the following assets into your Trust: real property, investments, promissory notes owed to you, life insurance, businesses, and your tangible personal property. It is usually very prudent to consult an estate planner on this issue.

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TLC tip

What Assets Should You be Careful About Placing in Your Trust?

There are some assets you do not want in your Trust, and some you need to really think about before placing in your Trust. These are: IRAs and retirement accounts, incentive stock options and 1244 stock, and professional corporation interests. It is necessary to consult with an estate planner before taking action with these assets, as the consequences can be significant. You should also consider leaving vehicles outside of your Trust unless valuable and substantially increases your estate. If you are ever in an accident, the other party could be more likely to sue after they see the Trust owns the car, thinking you may have "deep pockets."