

Wills vs. Trusts—which is right for you?

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One of the most common decisions you will face when planning your estate is whether to establish a will or a revocable trust. Both

wills and revocable trusts are devices that you can use to provide for the distribution of your estate upon your death, and most estate plans do not require a revocable trust for stated goals to be met. In order to determine whether a will or a revocable trust is right for you, it is first necessary to understand the differences between them.

The will

A will gives instructions to the personal representative of your estate as to the distribution of the assets in your probate estate. Your probate estate consists of those assets that, at the time of your death, are held in your name alone and do not have a designated beneficiary. In order for a will to “speak,” the will must be probated. Somewhat simplified, probate is a state court proceeding in which your will is proven, your debts are paid and your property is transferred to your beneficiaries as directed in your will. The negative aspects associated with probate are added expense, additional time required to administer the estate, and an increased burden on family members.

While a will does require probate, in many cases, it is not necessary to

establish a trust just to avoid probate. Will substitutes, such as joint ownership and beneficiary designations, pass your assets to your heirs without the necessity of probate. In cases where will substitutes are not sufficient or desirable, a trust may be in order.

The revocable trust

A revocable trust is a written declaration in which you state that you are transferring your property into a trust for the benefit of yourself during your lifetime and for the benefit of your desired beneficiaries after your death. You can amend or revoke this type of trust at any time so long as you remain competent to do so.

A revocable trust involves three parties: the grantor, the trustee, and the beneficiary.

- The grantor creates the trust and places assets into the trust. There can be more than one grantor of a trust, such as a husband and wife who create a trust jointly.
- The trustee holds legal title to the trust property and is responsible for managing and investing the trust property. Often, the grantor will also be the trustee. A successor trustee is usually named to serve if the grantor becomes incapacitated or passes away.
- The beneficiary receives income or principal from the trust. The grantor is typically the beneficiary until they pass away.

After a revocable trust is established,

you can avoid probate upon your passing and ensure that the trust instructions are followed by funding your trust. Funding a trust simply means changing the title of your assets from your name individually to the name of your trust. Assuming you have transferred or beneficiary all of your assets to the trust, when you pass away, there would be no need for probate. Note well, if you establish a revocable trust, competent counsel will also recommend that you establish a pour over will, which leaves any probate assets to your trust. This will ensure that if you do not fund your trust during your lifetime, your trust will still carry out your wishes upon your passing, at least with respect to your probate assets.

Other uses for trusts

If you have beneficiaries who are minors, disabled, or who have difficulty managing their own finances, a trust can also be used to precisely control how the beneficiary will receive the benefit of the funds. Thus, a trust is often more desirable when your estate plan includes minor or unstable beneficiaries, family disharmony that could set the stage for a will contest or assets held in multiple states that could result in more than one probate being required if a trust is not established.

As your estate plan should be specific to your situation and goals, only you can decide whether you should establish a will or a revoca-

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ble trust, but you need not make that decision alone. Contact a competent advisor to discuss your particular situation and your specific goals, and the advisor should assist you with determining whether a will or a revocable trust is best for you.

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