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A living trust (or inter vivos trust) is a legal document that holds your assets during your lifetime, allowing you (the grantor) to control them, and then transfers them privately and efficiently to beneficiaries after your death, bypassing the public probate court process. You typically act as the initial trustee, managing assets for yourself, and name a successor trustee to take over if you become incapacitated or pass away, ensuring continuous management and avoiding guardianship. Spouses can form family trusts and can act as co-trustees in the management of the trust estate.

Key Components

- Grantor/Settlor/Trustor: The person who creates the trust and transfers assets into it (you).
- Trustee The manager of the trust assets (often you initially).
- Successor Trustee: The person who steps in to manage the trust if the original trustee can't.
- Beneficiary: The person who receives the assets (often you, then your heirs).

How it Works

1. Creation & Funding: A trust agreement is created and assets are transferred (like real estate, investments, bank accounts) into the trust's name, making the trust the legal owner.
2. During Life: You manage the assets as the trustee, using them as you wish.
3. Incapacity: In the case of incapacity, the successor trustee you name takes over management for your benefit if you become unable to.
4. After Death: The successor trustee distributes assets to your beneficiaries according to your instructions, without court involvement, keeping details private.

Types of Trusts

- Revocable Living Trust: Can be changed, amended, or revoked by you during your lifetime (most common).
- Irrevocable Living Trust: Cannot be changed once created; used for specific tax or asset protection goals. [1]

Main Benefits of a Trust

- Avoids confusion between heirs or beneficiaries of your estate.
- Avoids Probate: Assets transfer privately and quickly, unlike a will, which must go through probate.
- Manages Incapacity: Provides for asset management if you become unable to handle your own affairs.
- Privacy: Keeps your estate details out of public record.

[1] Giving up control to a trustee for benefits like asset protection from creditors, reducing estate taxes, avoiding probate, and ensuring assets go directly to beneficiaries, though it means a permanent transfer of ownership and potential tax complexity.