



WHY ALMOST EVERYONE CAN BENEFIT FROM A REVOCABLE LIVING TRUST

“But in this world nothing can be said to be certain, except death and taxes.”
Benjamin Franklin

REAL LIFE SCENARIO

John and Mary owned a successful small business for 15 years until John suddenly died of a heart attack. Mary did not want to run the business alone, so decided to sell it. John's personal estate was estimated to be \$500,000. However, John also owned \$500,000 in life insurance in his name and had \$500,000 in his retirement accounts. John's estate for probate purposes is \$500,000; but his estate for federal estate taxes is \$1,500,000. Under this scenario, John dies in 2011.

WITHOUT A LIVING TRUST

1. John's estate went into probate, meaning that an attorney, a judge, tax departments and a host of other strangers would decide how John's estate would be divided.
2. The probate attorney would take 5% of the value (\$25,000 in the above scenario; 3% or \$15,000 in California).
3. John's federal estate tax in 2011 is based upon a taxable estate of \$500,000 [\$1,500,000 gross estate minus \$1,000,000 federal estate tax exemption]. The current federal estate tax would be \$155,800. An additional state estate tax of \$55,000 would be due if John lived in California.
4. Mary had to sell some of John's possessions at a loss to cover the taxes.
5. In the end, Mary received only \$1,319,200 of John's \$1,500,000 estate [Nevada] or \$1,274,200 [California].

WITH A LIVING TRUST

6. John's estate avoided probate altogether, meaning John had made arrangements for the distribution and control of his assets.
7. There was no probate attorney involved because John had engaged an estate planning attorney and paid \$1500 for his revocable living trust.
8. There is NO estate tax due at first death. Estate taxes [if any] are due when Mary dies.
9. Mary did NOT have to sell any of John's possessions.
10. In the end, Mary received 100% of John's \$500,000 estate.

**Cost Comparison using a \$1,500,000 taxable estate in 2011 at first death
[Nevada resident]**

	<u>With Trust</u>	<u>Without Trust</u>
Probate costs	\$0.00	\$ 25,000+
Estate Taxes	\$0.00	\$155,800+
Income Taxes	(1)	(1)
TOTALS	\$0.00	\$175,800

(1) Federal Income taxes are payable with or without a trust

FOR A MERE \$1,500, Mary saved \$175,800 and ALL of the hassle!

WHY HAVE A REVOCABLE LIVING TRUST?

1) Avoid the Hassles of Probate Without a revocable living trust, the decedent's [person who has died] assets go through probate. Probate is a legal process for settling claims against the decedent and for distributing the decedent's assets. Probate in Nevada takes a minimum of 150 days. If there is real property to be sold, the probate could take one year or more.

2) More Important than a Last Will and Testament Without a revocable living trust, probate occurs even if the decedent has a Last Will and Testament and even if the decedent is married and all of his property is community property.

3) Eliminates the Costs of Probate. Probate is normally handled through an attorney. Fees are either hourly [usually \$200+ per hour] or as a percentage of the gross value of the decedent's assets [not the decedent's equity in the asset]. Percentage fees are capped in California at 3%. Fees are not capped in Nevada. The normal percentage charge in Nevada is 5%. Fees for filing, mailing, copying, appraisals, CPA fees for tax returns are all extra. Thus, in a situation where there is a husband and wife and the gross value of their estate is \$1,000,000 in a community property estate – the value of the decedent's **probate** estate is \$500,000. In Nevada, if a percentage fee basis is used, the probate legal fees [not counting the other above costs] would be \$25,000.00. Note that if the couple owns a several rental properties, besides their house and bank/brokerage accounts, the value of the estate could be \$3-\$4 million. At \$4 million, the decedent's estate is worth \$2 million and the probate legal fees are \$100,000.00. Note that if the decedent dies in 2011 or thereafter, with a \$2 million probate estate, the estate would also owe federal estate taxes [see above]. Such taxes are due 9 months after death. **[NOTE THAT IF THE DECEDENT IS MARRIED AND HAS A TRUST, NO FEDERAL ESTATE TAXES ARE DUE AT FIRST DEATH]**

4) Solves the Problem of Decedent's Who Have Much of Their Assets in Real Property. Note above that probate legal fees, costs and federal estate taxes have to be paid in cash. Decedent's who have much of their assets in real property tend to have little cash. This situation may require that the Executor of the probate estate sell a parcel or parcels of real property in a very short period of time. Such quick sales are almost always at a steep discount.

5) Solves the Problem of Insurance. Most insurance is sold to provide for the surviving spouse or for the children of the parents in the event that both die. However, an examination of the costs of probate and taxes [**NOTE THAT THE DECEDENT MAY ALSO OWE FEDERAL INCOME TAXES**] above may result in a large portion, if not all, of the insurance being used to pay such probate expenses and taxes.

NOTE THAT NO PROBATE OCCURS IF THE DECEDENT HAS A TRUST AND NO ESTATE TAXES ARE DUE IF THE DECEDENT IS MARRIED AND HAS A TRUST!

CONTENTS OF NCH REVOCABLE LIVING TRUST PACKAGE

- 1) Revocable Living Trust
- 2) Last Will and Testament for both husband and wife
- 3) Durable Power of Attorney for Health Care for both husband and wife
- 4) Power of Attorney – General for both husband and wife
- 5) Form for transferring personal property into Revocable Living Trust
- 6) Certificate of Revocable Living Trust
- 7) Instruction Letter on how to transfer assets into Revocable Living Trust