

How to Fund a Trust: A Step-by-Step Guide

Discover a simplified approach to funding a trust, including how to transfer assets and what to consider for different property types. Trust & Will breaks it down.

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Funding a Trust: What Does it Mean?

Setting up a trust is a powerful way to ensure that your estate is handled according to your wishes. However, simply creating a trust isn't enough—you need to fund it. **Funding a trust** means transferring ownership of your assets into the trust so that they can be managed and distributed as outlined in your estate plan.

But many people find this part confusing. What exactly does it mean to fund a trust? How do you make sure it's done properly? In this guide, we'll break down the essential steps you need to take. Plus, we'll offer additional guidance for different types of assets. Keep reading to learn the essentials on how to properly fund a trust.

In simple terms, funding a trust means transferring ownership of your assets—whether it's real estate, bank accounts, or other valuables—into the trust. When you create a trust, the trust itself becomes a legal entity that can hold and manage these assets.

But why is this step so important? If you fail to fund your trust, it essentially becomes an empty vessel. Your assets won't be governed by the trust, even if it was carefully set up. This could lead to those assets having to go through probate, which is exactly what a trust is designed to avoid.

A few things to remember:

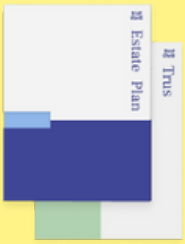
This guide is a helpful starting point for the basics of funding the Trust. It is not intended to cover every possible situation and it would be impossible to do so.

Your particular assets may have other requirements that this guide does not cover. For example, some partnerships require you to give notice to other partners before making any transfers. Such a requirement might apply only to your partnership and not to all partnerships, so it may not be mentioned in this guide.

Some of the details for funding your Trust may change over time. For example, if the Trustee changes, that would likely affect how you would title assets held in the Trust. This guide is intended to be a useful reference, but it is not legal advice and you may have specific issues not covered in this guide. You should consult an attorney if you have specific questions.

At-a-Glance: 5 Key Steps to Funding a Trust

Funding a trust may sound complicated, but by following a few clear steps, the process can be straightforward.



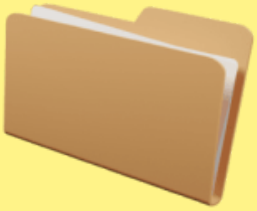
1. Create a Trust-Based Estate Plan

The first step to funding a trust is to ensure that you've set up a proper trust as part of your estate plan. This involves choosing the type of trust that best suits your needs (such as a revocable or irrevocable trust) and legally documenting it with the help of an attorney.



2. Inventory Your Assets

Next, you'll need to make a list of all the assets you own. This includes real estate, bank accounts, retirement funds, investments, and personal belongings like jewelry or valuable collections. Knowing what you have is the first step in transferring ownership to the trust.



3. Gather Documentation

For each asset you plan to transfer, you'll need the appropriate documentation. This includes deeds for real estate, account statements for bank and brokerage accounts, stock certificates, and titles for vehicles. These documents will be required when transferring ownership of each asset to the trust.



4. Open a Trust Account

For liquid assets, like cash or investments, you'll want to open a bank account in the name of your trust. This account can hold funds or serve as a central place for managing the trust's financial assets. It's important that the account is registered under the name of your trust, not your personal name.



5. Fund Your Trust

Finally, you need to transfer ownership of each asset into the trust. For real estate, this means updating the deed to reflect the trust as the new owner. For bank accounts, this involves contacting your financial institution and retitling the account in the trust's name. For personal property, you can simply draft a document that lists the items and states that they are now owned by the trust.

How to Transfer Different Types of Assets into Your Trust

Until now, we've provided a birds-eye view of how to fund a trust. Know that, however, your action plan will vary depending on the specific type of assets you are placing into the trust. For example, the process of funding a trust with a bank account will look a little different from the steps you'd take to transfer real estate.

With that said, here are instructions on how to fund a trust, broken down by different asset and property types:

- Personal property
- Bank and other financial accounts
- Real estate
- Business interests
- Life insurance policies
- Retirement accounts

Personal Property and Assets

Most assets do not have formal titles or deeds. This can include things like clothing, furniture, jewelry, electronics, etc. While there's no formal title, it's still important to transfer these assets to the Trust. This is usually easily done by signing a general transfer document that states the property is now owned by the Trustee of the Trust. Just keep this document with the Trust records.

The transfer document should list assets you're transferring to the Trust. It's good to be specific, but you can use broad categories (like "furniture," "clothing," "jewelry," etc.) without listing every item in each of those categories. If you have any assets that are specifically listed in the Trust (such as an item marked as a gift) or assets that are particularly valuable, it might be worth listing those individually rather than relying on a broad category. Once the transfer document is signed, just keep it with the Trust records.

Bank Accounts and Other Financial Accounts

Most bank accounts and financial accounts can be transferred to your Trust. Each bank has its own process, so check with yours for information on policies.

Here are the general steps to funding a Trust with bank accounts and other financial accounts:

1. **Contact your bank to see what's required to transfer your accounts to the Trust.**
   Your bank will provide any necessary forms.

2. **Complete, sign and return forms to your bank.** Some banks ask you to complete a "Certificate of Trust" form to provide some details about the Trust. Some will require a complete copy of the Trust.

3. **Have the bank change the title to the Trustee of the Trust.** As described in the "How to Title Assets" section above. Most banks can change the ownership to the Trust and keep the same account numbers, but some may require new account numbers.

Real Estate

Transferring real estate to your Trust typically requires signing a deed to transfer your interest in the property to the Trust and then recording that deed with the county.

The process varies a little by state, and each county can set its own requirements for how to format a deed, how to record a deed and whether any other paperwork must be filed with the deed. Your County Recorder should be able to provide more information on these requirements, and they can often provide a blank deed template. Most states recognize several types of deeds, but "Quit Claim Deeds" or "Trust Transfer Deeds" are most commonly used to transfer property to a Trust.

While processes may slightly differ, here are the general **steps to funding a Trust with real estate:**

1. **Check with your County Recorder for any specific requirements for deeds.** The County Recorder should be able to detail any formatting requirements (or provide a template) and explain any other paperwork that may be required with a deed.

2. **Complete the deed by listing the Trustee of the Trust.** As described in the "How to Title Assets" section above, as the Grantee (the person who receives the property). A copy of the prior deed may be helpful and can also be obtained from the County Recorder.

3. **Complete any other paperwork required for your county.** Additional paperwork is often required to identify any Beneficiaries of the Trust. While you are living, you are the Beneficiary of your Trust.

4. **Record the deed and file any other paperwork with the County Recorder.** Deeds may be recorded in person at the County Recorder's office or by sending the original deed by mail. Your County Recorder can provide more guidance.

Need help funding your Trust? Trust & Will offers a deed transfer service for a flat fee! **Get started today →**

Business Interests

Business interests come in many forms and there isn't one single way to transfer a business interest to a Trust. The process can vary and the business records can specify a specific process or specific steps that are required. Checking business records for any specific requirements is a great place to start.

Partnerships and LLCs

Transferring partnership or LLC interests can be relatively easy if there are no additional requirements in the business records.

1. Interests in partnerships and LLCs are typically transferred by signing an Assignment of Interest stating that you are transferring the interest to the Trust. Be sure to give a copy to any other partners or LLC members.

2. Check the partnership agreement or LLC operating agreement to see if there are any other restrictions or requirements for transfers.

3. Be sure the partnership or LLC updates its records to reflect the Trust as the new owner of the interest, as described in the "How to Title Assets" section above.

Corporations
For corporate stock, transfers are generally easy as long as there are no additional requirements or restrictions.

1. Check the corporate records to see if there are any restrictions or requirements for transfers.
2. Contact the Secretary of the corporation to update the ownership records and issue new stock certificates. The Secretary may ask you to complete an Assignment of Stock or complete other paperwork.

3. Have the Secretary update ownership records and issue new stock certificates to reflect the Trust as the new owner of the interest, as described in the "How to Title Assets" section above.

Sole Proprietorships
For sole proprietorships, there is no separate legal entity to transfer to the corporation. A sole proprietorship is just you doing business on your own without a formal entity. Since there's no entity, there's nothing to transfer to the Trust. However, you may want to check that you have transferred any assets or equipment that you use for your business into the Trust.

Life Insurance

It's generally not necessary to transfer the ownership of life insurance policies to a Trust. Instead, the focus is more often on where the proceeds go (rather than who owns the policy).

Typically, life insurance policies let you designate where the proceeds go by completing a "Beneficiary Designation." You can have the proceeds go directly to someone (such as a spouse or child), or you can have the proceeds go to the Trust. One advantage to having proceeds paid to the Trust is they would then be controlled by the terms of the Trust instead of paid out directly to the Beneficiaries. This can be ideal if Beneficiaries are younger children.

The decision is yours, though one common approach is to name your spouse as the Beneficiary, and then name the Trust as the Alternate (or Contingent) Beneficiary.

Each life insurance carrier has its own forms, so you should contact them directly for more information and request anything required to update your Beneficiary Designations.

Retirement Accounts

It's generally not necessary to transfer the ownership of a retirement plan to a Trust. In fact, transferring ownership can actually have negative tax consequences. Instead, the focus is more often on where the proceeds go.

Rather than changing the ownership of a retirement plan, you can typically designate a Beneficiary to receive the proceeds at your death. As with life insurance, a common consideration is whether you want the proceeds paid directly or whether you want them to go to the Trust where you have more control on when and how they would be distributed.

It's common to name your spouse as the primary Beneficiary and then name the Trust as the Alternate (Contingent) Beneficiary. Your tax advisor should be able to help determine the best option for you and your particular tax circumstances.

Each plan administrator has its own Beneficiary Designation forms, so you should contact your plan administrator for more information and to request any forms required to update your Beneficiary Designation.

Important Tips and Considerations

Now that you have gone through a deep-dive of how to fund a trust properly, there are some additional tips and considerations to keep in mind:

Properly Titling Trust Assets

Funding a Trust simply means you will transfer ownership of specific types of assets to the Trustee of the Trust. This is generally done by transferring assets to:

Trustee Name, as Trustee of the Trust Name If you have multiple trustees, this could look like:

Trustee One Name and Trustee Two Name, as Trustees of the Trust Name

Taxpayer Identification Number (TIN)

Your Trust is designed to be a "Grantor Trust," which is essentially ignored for tax purposes. Assets held in a Grantor Trust are still treated as if the Trust creator owns them for tax purposes. This generally means there's no difference in income tax reporting. Everything is reported just as it was before the Grantor Trust was created.

A Grantor Trust uses a social security number of the Trust creator as the Taxpayer Identification Number (TIN) for the Trust. For a Joint Trust, either spouse's social security number can be used (though it's best to be consistent and always use the same number).

Mortgages & Deeds

Many mortgages and deeds of a Trust include a "due-on-sale" clause saying the entire balance is due immediately if the property is transferred. Federal and state laws say that these due-on-sale clauses are not triggered by the transfer of most residential real estates to most Trusts.

This may also be relevant if you refinance your mortgage. Many lenders require you to take the property out of the Trust to refinance, but then allow you to put the property back in the Trust after the refinancing is complete. It's an unnecessary complication, but something many lenders do require.

As always, there are some exceptions, so it's a good idea to contact your lender before the transfer. Requesting written confirmation that the transfer will not violate any terms of the mortgage or deed of the Trust is always a good idea.

Insurance Policies

Most insurance policies related to real estate (fire, casualty, liability) automatically cover property transferred to a Trust. However, it's still a good idea to check with your insurers about your policies to see if any additional endorsements or updates are needed in connection with the transfer.

Next Steps After Funding Your Trust

Once your Trust is funded, you'll still need to keep the above process and tips in mind for any major asset changes.

- If you purchase a new house, you might be able to take the title directly in the name of the Trust, which could help you skip a few of the steps mentioned here.
- If you open a new bank account, you might be able to open it directly in the name of the Trust.

Keeping this in mind helps make sure your Trust stays funded and that the terms of your Trust continue to apply to your assets.

It's a good idea to revisit your plan after any major life changes, such as births, deaths or changes in marital status. Even if you haven't had any life changes, it's a good idea to revisit every few years to see if any updates are needed.

Keep in mind, just because you've completed the process doesn't mean you're on your own. Reach out to Trust and Will at any time to check on your plan and see if any updates are needed. Have any questions? Contact us today – we'll be glad to help.

Is there a question here we didn't answer? Browse more topics in our learn center or chat with a live member support representative!

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