

### ***Avoiding Probate through a Living Trust***

Estate planning may be defined as “the continual process of arranging your personal and financial affairs in order to maximize your enjoyment and your heirs' enjoyment of your assets.” Though estate planning is a broad subject with many benefits, in this article I will discuss only one of the primary benefits of estate planning.

One of the reasons estate planning has been used by the “wealthy” for decades is to save money. Under California's laws, if your estate is worth more than \$100,000 and you only have a will (or worse yet, no will at all), under most circumstances your heirs must pay for a court proceeding called “probate” in order to transfer your assets to them. Today, the “average” person has to be concerned with the costs of transferring what they've spent their lifetime accumulating because of the rising cost of real estate (the average home price in Los Angeles county is \$350,000). If you own a home, the appraised value of your home determines how much your home is worth to your estate. Because this value is not based on your equity in your home, you do not subtract any mortgage you may owe from the value of the home. Therefore, if your home is appraised at \$350,000, the court will base the probate charges for your home on \$350,000. Even if you owe \$300,000 on your mortgage and only have \$50,000 equity in your property, your probate fees will be based on the full \$350,000 value of your property.

Once a probate is required, you still need to add all of your other assets (cars, household items, etc.), to the value of your home in order to get the complete estate value. Fees on a \$350,000 probate in California could be close to \$25,000 ! Furthermore, the average probate takes between 12 and 15 months to complete, even if uncontested. This time lapse unnecessarily delays your heirs' use and enjoyment of your property and extends the grieving process.

Proper estate planning can eliminate probate court costs ! One effective way to eliminate probate is through a living trust, the basic component of an estate plan. A trust can transfer all of your assets to your heirs without requiring your heirs to go to court or pay any probate charges ! Therefore, if you own real estate, you should seriously consider the benefits of estate planning.