



New Development: The Problem with Co-Trustees and How to Solve It

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Do you remember when you established your trust? Did you name two or more individuals to serve as “Co-Trustees” in the event of your incapacity or death? If so, please read this article to learn about new developments in the banking industry that make it difficult for Co-Trustees to administer your estate.

In the past, it was never a problem to name Co-Trustees. Most clients preferred this arrangement, particularly if they had two or more children. It ensures that there are some checks and balance in place and it’s a way to make sure both or all the children feel included in the trust administration process. However, on more than one occasion, banks had experienced one Trustee withdrawing money from the trust accounts without the consent of the other Trustee. Naturally, this led to problems and it even led to litigation where the disgruntled Trustee would sue the bank for allowing the other “rogue” Trustee to single handedly withdraw the money (without the consent of the Co-Trustee).

As a result, in recent years, most banks have significantly tightened up their policy when it comes to establishing trust accounts for Co-Trustees. Now, with most banks, if the trust does not expressly allow each trustee to act separately, the bank will decline to do business with the Co-Trustees and will refuse to hold assets for Co-Trustees at their financial institution. Most older trusts with Co-Trustees named will require unanimous action by the Co-Trustees, because those trusts were drafted prior to the banks changing their policies. If you have a trust that names Co-Trustees, the only workaround this issue is to either: (1) amend the trust and allow each Co-Trustee to act separately; or (2) do nothing and at your death, one of your trustees may have to resign to allow the other to serve alone. If you have questions about your trust, or if you wish to amend your trust to allow Co-Trustees to serve together, please call our office at (714) 282-7488 to discuss your options with an experienced estate planning attorney.

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APRIL DIY DOOR DECOR



This is a simple and fun idea, take an umbrella and fill it with flowers (Position them and use a hot glue gun to hold them in place). And then tie a matching ribbon around the center. It is a simple way to use an umbrella that may not work the best anymore but that is still pretty, giving it a new life! So welcome the April showers bringing those May flowers!

<http://10sopeachy.com/2019/02/20-excellent-diy-crafts-ideas/>

Baked Carrot Sticks

Trying to get the family to eat healthy can be difficult at times, but this recipe is sure to make it easier!

- ◆ 8 carrots
- ◆ 1 tsp salt
- ◆ 1 tsp pepper and
- ◆ 2 tbsp good quality olive oil
- ◆ Extra seasonings – paprika, garlic powder, herbs, lemon (optional)

Directions:

- ◆ Preheat oven at 200 C/ 400 F.
- ◆ Wash, peel and cut carrots into sticks.
- ◆ Place carrots in a bowl.
- ◆ Season with salt, peppers, and a drizzle with olive oil.
- ◆ Add any other seasoning you want such as paprika, garlic salt, rosemary or thyme.
- ◆ Spread the carrot stick on a parchment lined baking tray for easy clean-up.
- ◆ Bake in a preheated oven for about 20 to 25

<https://veenaazmanov.com/oven-baked-carrot-sticks/>



Sweet Oven
Baked Carrot
Sticks



SAVE THOUSANDS OF DOLLARS BY UNDOING YOUR AB TRUST

An AB trust was commonly set up in earlier years to avoid paying estate taxes after the death of the second spouse. Because the federal estate tax limit was as low as \$600,000 per person in the 1990's, many people had taxable estates which required the creation of a sophisticated type of trust – known as an AB trust.

An AB trust provides that, at the death of one spouse, all trust assets are to be divided into two separate trusts: Trust A and Trust B. By funding these separate trusts, the surviving spouse would be able to apply his or her federal estate tax exemption to the Trust A assets, while applying the deceased spouse's federal estate tax exemption to the Trust B assets – effectively doubling the amount that they are able to leave estate-tax free to their loved ones. However, B trust assets do not obtain a step up in basis when the second spouse dies, meaning that the assets in Trust B can be subject to significant capital gains taxes after the surviving spouse's death.

For example, suppose at the time of the first spouse's death, the B trust is funded with \$100,000 of Apple stock, and a \$500,000 rental property. When the second spouse dies, suppose the Apple stock is now worth \$200,000, and the rental property is now worth \$750,000. If the children/beneficiaries elect to sell any of these assets after the second spouse dies, they will have to pay capital gains tax on the gains realized (the difference between the value of the assets at the first spouse's death versus the value of the assets at the second spouse's death). That can result in tens of thousands, and sometimes, hundreds of thousands of dollars in capital gains tax liability for the children.

As the years have passed, the federal estate tax exemption steadily increased. Today, it is the highest it has ever been, at \$11.2 million per person. Therefore, most people no longer need AB trusts to leave their assets estate tax free to their loved ones. This is a simple fix while both spouses are living, because the trust can easily be amended to remove the AB provisions. However, after one spouse dies, if the surviving spouse has already funded the A and the B trusts, the B trust can be “undone” by obtaining approval from the probate court – which will result in all assets being allocated to Trust A and a step up in basis in ALL trust assets at the death of the second spouse.

While it does involve a court process to undo a B trust, it is often worth the time and effort, because it often saves the children thousands of dollars in capital gains taxes. To discuss the idea of terminating the B trust in more detail, you may contact The Law Office of James F. Roberts & Associates, APC. at (714) 282-7488 to schedule a consultation with an experienced estate planning attorney.

Free Seminar



We regularly conduct a free estate planning seminar designed to teach about the benefits of creating an estate plan. The seminars are held on-site at our Anaheim office inside of our "classroom". We offer light snacks and refreshments to the attendees and the group is often small and intimate, which allows for questions to be asked comfortably and for a very relaxed environment. Please encourage your loved ones to attend the seminar so that they may learn more about the estate planning process and benefits. Our next event will be **April 18th, 2019**. We look forward to seeing you and your family, friends, colleagues and neighbors! Please share this event!



We hope that you have had the very best experience with our firm! And we hope that you would consider referring a friend that we may be able to help the same way we helped you! Getting a referral from a customer gives us a lot of pride! It shows us that we did a good job and our clients appreciate us!

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