

Totten Trust

I want to share with you the use of a Totten Trust. If you're doing some estate planning, you can avoid probate on your bank accounts by setting up a Totten Trust (POD) Payable-on-death in your checking or savings account.

Using Totten Trusts to Avoid Probate:

These accounts are widely used, because they provide a free and easy way to transfer money at death without probate court proceedings. To set up a Totten trust/POD account, or to turn an existing savings or checking account into a POD account, all you have to do is fill out some paperwork provided by the bank, naming your POD beneficiary. If you name Gleanings for the Hungry as the partial or full beneficiary, your estate will also receive a charitable deduction.

Naming a POD beneficiary has no consequences while you're alive. The beneficiary has no right to the money during your lifetime. This means, not only that the beneficiary can't withdraw money, but also that the money is not considered an asset of the beneficiary. You are free to close the account, withdraw some or all of the funds, or name a different beneficiary at any time.

That's how easy it is! After your passing, the POD, (Trust beneficiary) simply goes to the bank and collects the funds in the account. There may be a short waiting period before a bank will release funds, but there will be no probate court proceeding. Usually, all that's required is a certified copy of the death certificate and proof of the beneficiary's identity.

Why They are Called Totten Trusts:

The name comes from a 1904 decision in a New York case called *In re Totten*. The court ruled that someone could open a bank account as a trustee for another person, who had no right to the money until the account owner died. Other courts hadn't allowed this, objecting that such an arrangement was trying to take the place of a will, and that wills must be executed with much more formality.

The Totten court got around this problem by calling the account a "tentative trust"—in more modern language, a revocable trust. You, the account owner, are the trustee, and in control of the money that will eventually go to the trust beneficiary. But whether you call the arrangement a Totten trust, a revocable bank account trust, or a POD account, the result is the same.

The next time you head to your bank, you may want to consider taking the time to complete the paperwork to add POD to your accounts to avoid probate on those assets, or if you already have this set up, make sure you still approve of your current beneficiary designation. Hope you have enjoyed this latest information and we wish you a very blessed day.

Gleanings for the Hungry

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This information is provided for educational purposes only. For legal advice, contact an attorney.