

Should you “park” your vehicle in a living trust?

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Using a revocable trust — sometimes referred to as a “living trust” — is a common estate planning strategy to manage one’s assets during life and to avoid probate at death. For the trust to be effective, you must “fund” it, meaning transferring ownership of your assets to the trust.

Perhaps you have collectible automobiles or other vehicle types. Should you consider transferring them to your revocable trust? If you still owe money on an auto loan, the lender may not allow you to transfer the title to the trust. But even if you own the vehicle outright (whether you paid cash for it or a loan has been paid off), there are risks in making such a transfer.

Steer clear of pitfalls

As the vehicle’s owner, the trust will be responsible in the event the vehicle is involved in an accident, exposing other trust assets to liability claims that aren’t covered by insurance. So you need to name the trust as an insured party on your liability insurance policy.

On the other hand, because you’re personally liable either way, owning a vehicle through your revocable trust may not be a big concern during your life. After your death, when the trust becomes irrevocable, an accident involving a trust-owned vehicle can place the other trust assets at risk.

Keeping a vehicle out of the trust eliminates this risk. The downside, of course, is that the vehicle may be subject to probate. However, some states offer streamlined procedures for transferring certain vehicles to heirs.

Turn to us for directions

Are you considering transferring automobiles or other vehicles to your revocable trust so they can avoid probate? Before taking action, it’s important to understand the pitfalls of such a move. Please contact us with for additional details.

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The Law Office of Eugene Gorrin, LLC
17 Watchung Avenue, Suite 204
Chatham, NJ 07928
973.701.9300
egorrin@gorrinlaw.com
www.gorrinlaw.com