

Why Financial Account Should Be Owned Directly by the Trust (Not Just a POD Designation)

In Michigan, a revocable family trust is a separate legal entity that can hold title to property. When a bank account is titled in the name of the trust (e.g., “John Doe Revocable Living Trust, dated January 1 2024”), the trust—not the individual—becomes the legal owner. This is far more effective than merely naming the trust as a Pay-On-Death (POD) beneficiary for the following reasons:

- 1. True Probate Avoidance – A POD designation only transfers the account after the owner’s death and still requires the bank to verify the death certificate and may be subject to probate if the POD is contested. When the account is owned by the trust, the assets are already outside the probate estate; they pass automatically to the trust’s beneficiaries on the grantor’s death with no court involvement.**
- 2. Continuity of Management – If the grantor becomes incapacitated, the successor trustee can immediately control the account (write checks, move funds, close the account). A POD beneficiary cannot act until the owner’s death, leaving the account frozen during a medical emergency.**
- 3. Unified Asset Titling – Keeping every asset under the trust’s name creates a single, coherent ownership structure. This simplifies accounting, eases administration for the trustee, and eliminates the risk that an overlooked account will revert to intestacy or be subject to a will contest.**

4. Creditor & Legal Protection – While a revocable trust does not shield assets from the grantor’s creditors during his/her lifetime, it prevents the assets from being included in the probate estate where they could be claimed by creditors of the estate after death. A POD beneficiary, by contrast, leaves the assets in the decedent’s estate until the POD is triggered, exposing them to estate-level claims.

5. Privacy – Probate filings are public record in Michigan. By holding the account in the trust, the ownership and subsequent distribution remain confidential; a POD transfer becomes a matter of public probate if contested.

6. No Extra Cost or Tax Consequences – Titling the account in the trust’s name does not create a taxable event for a revocable trust; the grantor remains the owner for tax purposes. The bank’s paperwork is essentially the same as for a POD designation, but the legal benefits are far greater.

Bottom line for the banker and the client:

“Title the account in the name of the revocable family trust now—don’t rely on a POD beneficiary. Doing so guarantees seamless transfer, immediate access if the grantor is incapacitated, avoids probate, preserves privacy, and keeps the estate administration simple and efficient.”