

Why put the money-account in the name of the Michigan Family Trust instead of just naming a beneficiary?

- 1. Avoids probate – When the account is owned by the trust, the assets stay outside the probate process the moment the grantor dies. A named beneficiary still has to go through probate (or a small “small estate” procedure) before the funds can be transferred, which delays distribution and adds court fees.**
- 2. Immediate, seamless transfer – The trustee can move the money to the intended heirs right away (or according to the trust’s schedule) without waiting for a death-certificate, letters-testamentary, or a court order.**
- 3. Keeps the grantor’s wishes intact – A trust can spell out how, when, and to whom the money is paid (e.g., staggered distributions, conditions for education, protection from a beneficiary’s creditors or poor financial habits). A simple beneficiary designation can’t impose those controls.**
- 4. Provides continuity if the grantor becomes incapacitated – While the grantor is alive but unable to manage finances, the trustee steps in and can continue operating the account. A beneficiary designation does nothing until death; the bank would freeze the account pending a court-appointed guardian.**
- 5. Offers creditor protection (in Michigan) – Assets held in a properly drafted irrevocable trust are generally out of reach of the grantor’s creditors and, after death, can be shielded from the beneficiaries’ creditors as well. A beneficiary designation leaves the asset vulnerable to claims against the deceased estate.**
- 6. Preserves privacy – Probate filings are public record. Keeping the account in the trust means the details of the balance and the ultimate recipients stay private, whereas a probate proceeding would disclose**

them.

7. **Simplifies estate-tax planning (even though Michigan has no state estate tax) – A trust can be structured to maximize federal estate-tax exemptions and to coordinate with other estate-planning tools (generation-skipping trusts, charitable trusts, etc.). A bare beneficiary designation offers no such flexibility.**
8. **Allows for multiple beneficiaries or split interests – If the account should be divided among several heirs, the trust can allocate percentages or create separate sub-accounts. A single beneficiary designation forces the entire balance to go to one person.**

Bottom line: Naming a beneficiary is a quick fix for “who gets the money after I die,” but placing the account directly in the family trust guarantees that the money passes exactly as you intend, instantly, privately, and without probate or unnecessary court involvement—and it protects the assets both during your lifetime (incapacity) and after your death.

Another: [Banker says just make the trust the beneficiary]

Here is a simple summary of why your assets need to be owned by the trust.

Think of it like this: Naming your trust as the beneficiary is like giving someone an inheritance. They only get the money after you die. It's a good way to avoid probate when you're gone. But, putting the asset in the name of the trust is like giving someone a power of attorney. They can manage the money while you are alive but incapacitated.

The Simple Problem with the Banker's Idea If you just name the trust as a beneficiary: • The bank account is still in your personal name. • If you become unable to manage your bills (due to illness or dementia), your Successor Trustee has no legal right to touch that account. • The

account could be frozen. Your family would have to go to court to get permission to manage your money—which is the exact hassle you set up the trust to avoid.

What to Tell the Banker You can say: "We set up this trust to work if we become incapacitated, not just when we die. For that to work, the trust needs to own the account now. This gives our Successor Trustee the legal right to step in and help without going to court. A beneficiary designation doesn't do that." In short: Ownership makes the trust work for incapacity. A beneficiary only makes it work for death. You need it to work for both.