

Revocable vs. Irrevocable Trusts

In today's world of viral financial "advice," it's easy to get swept up in overly produced videos promising ways to "never pay taxes again" by setting up complex trusts with intimidating names—dynasty trusts, GST-skipping trusts, non-grantor irrevocable structures, or all of those rolled up into one.

But here's the truth: estate planning and trust planning is not one-size-fits-all, and following advice from unverified online sources can lead to serious mistakes. Even the IRS has issued public warnings urging taxpayers not to rely on social media for tax guidance, emphasizing that many of these strategies are either misunderstood or misrepresented and could potentially lead to tax fraud.

At Sequoia Advisor Group, we believe in cutting through the noise with clear, honest guidance tailored to your real-life goals. That's why we're launching this multi-part "Trust 101" series—a straightforward, educational guide to the foundational terms and structures that form the backbone of smart, ethical estate planning with trusts.

We're starting with the basics: revocable vs. irrevocable trusts. Understanding this core distinction is the first step toward building a trust strategy that aligns with your values, protects your loved ones, and supports your long-term legacy.

A revocable trust (sometimes called a living trust) is created during your lifetime and, as the name implies, can be changed, amended, or even revoked entirely. As the “grantor” (generally the person who creates the trust”), you retain full control over the assets and the terms of the trust while you're alive.

Key Benefits of a Revocable Trust:

- Avoids probate, making it easier and faster for your heirs to receive assets.**
- Maintains privacy, unlike a will, which becomes part of the public record in a probate action.**
- Allows flexibility to adjust your plans as your life circumstances change, especially if incapacity becomes an issue.**
- Provides structure for how assets are managed and distributed after your death.**
- Simplifies multi-state planning, especially helpful if you own property in more than one state.**

Upon your death, a revocable trust typically becomes irrevocable, locking in the terms you've set and initiating the distribution process.

Irrevocable Trusts: Protective and Strategic

An irrevocable trust, on the other hand, is generally unchangeable once it's been created. You give up control over the assets and the ability to make changes to the trust terms. While that might sound restrictive, it offers significant benefits in the right circumstances:

- **Estate Tax Planning:** By removing assets from your taxable estate, you may reduce future estate taxes—a key consideration for high-net-worth families, especially with changing exemption limits in 2025.
- **Creditor Protection:** Assets placed in a properly structured irrevocable trust can be shielded from lawsuits or creditors.
- **Eligibility for Benefits:** Some irrevocable trusts are designed to help individuals qualify for Medicaid or provide long-term care for loved ones with special needs.

While the trade-off is less personal control, the long-term benefits often make irrevocable trusts a smart choice for preserving and protecting wealth.

So, Which Trust Is Right for You?

That depends on your goals and specific financial situation. A revocable trust is ideal if you want flexibility and simplicity, while an irrevocable trust may be better suited for asset protection, estate tax savings, or special needs planning. In some cases, both types of trusts play a role in a comprehensive estate plan.

In estate planning, it's important to understand what problem you're trying to solve before arriving at a solution. Not everyone needs a dynasty trust, a GST skip plan, or a complex irrevocable structure just because someone on TikTok or Instagram said so. What you do need is a plan that's tailored to your life, your values, your family, and your financial future.