

Trust owns your LLC

The Big Picture (Plain English)

Think of it like nesting dolls:

- You control
- Your Revocable Trust, which owns
- Your LLC, which owns
- The business or property

You're still in charge — you just added a clean, court-avoiding wrapper around the whole thing.

Why People Do This (The Real Benefits)

1. Probate Avoidance (The #1 Reason)

If you personally own an LLC interest and you die:

- That membership interest may go through probate

If your Trust owns the LLC:

- No probate for that LLC interest
- Successor trustee steps in immediately
- Business continues without court interruption

This is especially important if:

- The LLC owns real estate
 - The LLC has ongoing income
 - There are multiple heirs
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2. Seamless Incapacity Planning

If you become incapacitated:

- Personally owned LLC → family may need court authority
- Trust-owned LLC → successor trustee manages it automatically

No conservatorship.

No emergency petitions.
No bank panic.

3. Cleaner Estate Administration

When death happens:

- **The Trust already “knows” who gets what**
- **The LLC interest transfers privately**
- **No public inventory**
- **No probate attorney babysitting the process**

From a family perspective:

“Nothing broke. Nothing stopped. Nothing went to court.”

That’s a win.

4. Asset Protection Is *Not* Harmed

Important myth to kill:

✗ “Putting the LLC in a Trust weakens liability protection.”

False (for revocable living trusts).

- **Liability protection comes from LLC formalities**
- **Ownership by a revocable trust does not collapse the LLC**
- **Creditors of the LLC still stop at the LLC**

Your Trust is essentially *you*, for control purposes.

When It’s Especially Smart

This setup shines if:

- **You have multiple LLCs**
- **The LLC holds real estate**
- **You want smooth generational transfer**
- **You want to avoid probate entirely**
- **You already have a Trust (or should)**

It's very common in:

- **Rental property structures**
 - **Family businesses**
 - **Holding companies**
 - **Estate-planning-driven ownership**
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What You MUST Do Correctly (This Part Matters)

1. Assign the LLC Interest Properly

You don't just "decide" the Trust owns it.

You need:

- **A written Assignment of Membership Interest**
- **Operating Agreement updated to reflect Trust ownership**
- **Possibly lender or bank acknowledgment**

No paperwork = no legal effect.

2. Keep the LLC Separate (Still!)

Trust ownership does not excuse sloppy behavior.

The LLC still needs:

- **Its own bank account**
- **Clean books**
- **No personal expenses**
- **Proper contracts in the LLC's name**

Trust ownership ≠ permission to be casual.

3. Understand Tax Reality

For most single-member LLCs:

- **Nothing changes tax-wise**
- **IRS treats it the same as before**

This is legal planning, not a tax trick.

When It Might NOT Be Ideal

It can be less appropriate if:

- **The LLC has multiple unrelated members**
- **The Operating Agreement restricts trust ownership**
- **There are complex buy-sell or investor rules**
- **You're planning aggressive asset-protection strategies (different trusts)**

Even then, it's often fixable — just not automatic.

Michigan-Honest Bottom Line

Owning your LLC through your Michigan Revocable Family Trust is:

- ✓ **Legal**
- ✓ **Common**
- ✓ **Probate-avoiding**
- ✓ **Family-friendly**
- ✓ **Court-avoiding**
- ✗ **Not a substitute for good bookkeeping**

Think of it this way:

**The LLC protects you from business risk.
The Trust protects your family from court.**

They do different jobs — and they work very well together.
