

Example 1a & 1b (utilize “Trusts – Step by Step” when needed)

Step one of our Trust guide asks the following:

1. Did the applicant reserve a life estate (or have a life estate reserved for them by someone else) on the deed when the property was transferred to the trust?

- Yes, stop here. The applicant meets the ownership requirement for the exemption program and you do not need to go any further.
- No, go to step 2

Example 1a completes step 1a and meets the ownership requirement.

Dorothy is the grantor and she reserves a life estate interest in the property.

Example 1b is the Living Trust for Dorothy. She already meets the ownership requirement since she reserved a life estate on the deed when she transferred the property into the trust. But what if she hadn't? Let's review this trust anyway.

2. Is this trust revocable? **Yes**

Page 5 – **Section 9: Revocation or Amendment.** Here the Grantor retains the right to revoke or amend this agreement. (proceed to step 3)

3. Revocable – Is the applicant the “settlor” or “creator” of the trust? **Yes**

The opening statement of this trust states that Dorothy is the Grantor (which is also the settlor or creator). (proceed to step 5)

5. Revocable or Irrevocable – has the applicant granted to himself/herself a beneficiary interest in the residence that lasts for at least his/her lifetime? **Yes**

Page 1 – **Section 1: Purpose.** “Benefit of Grantor during Grantor’s lifetime...”

Page 1 – **Section 2: Funding of Trust.** “During the lifetime of Grantor...”

Page 1 – **Section 4: Payments during Grantors Lifetime.** “During Grantor’s lifetime, Trustee shall pay all of the net income of this trust, and also such sums from principal as Grantor may request at any time in writing, to or for the benefit of Grantor, or as Grantor may designate.”

Rarely will you find a trust that specifies that the applicant has been granted the “beneficial interest in the principal residence portion of the trust for at least their lifetime”. So, you need to look for “lifetime” verbiage and most often “net income and/or principal”.