

TRUST PROPERTY SALE GUIDE

For Successor Trustees & Beneficiaries

First, we want to acknowledge that settling a trust after the loss of a loved one can feel overwhelming. This guide is designed to provide clarity, structure, and a clear roadmap for handling the real estate held inside the trust.

If the property is properly titled in the trust, probate is avoided for the real estate. That is a significant advantage. However, there are still important legal, tax, and logistical steps to follow.

Below is a step-by-step overview of the process.

STEP 1: Confirm Trustee Authority

The successor trustee is the only party legally authorized to act on behalf of the trust.

Key Questions:

- Who is named as successor trustee?
- Are there co-trustees?
- Does the trust require both trustees to sign?

Only the trustee(s) may:

- Sign listing agreements
- Execute sales contracts
- Sign closing documents

Beneficiaries do not sign unless they are also trustees.

STEP 2: Confirm Title to the Property

We must verify that title to the property is held in the name of the trust.

Example of proper vesting:

“John Smith, Trustee of the John Smith Revocable Trust dated January 1, 2010”

If the property is properly titled in the trust:

- Probate is avoided for the real estate.
- The trustee may proceed with sale under trust authority.

If not properly titled, additional legal steps may be required before selling.

A title search will confirm this before listing.

STEP 3: Establish the Date-of-Death Value (Step-Up in Basis)

This is one of the most important financial considerations.

When a revocable living trust becomes irrevocable at death, most assets receive a **step-up in tax basis**.

What this means:

The property’s new tax basis becomes its fair market value as of the date of death.

Example:

- Original purchase price (years ago): \$120,000
- Value on date of death: \$350,000
- Sale price: \$360,000

Taxable gain would generally be calculated on:

$\$360,000 - \$350,000 = \$10,000$
(not from the original \$120,000)

This can significantly reduce capital gains exposure.

To properly document this value, trustees should consider:

- A retrospective appraisal dated as of the date of death
- Or professional market analysis if appropriate

Consultation with a CPA is strongly recommended to confirm reporting requirements.

STEP 4: Evaluate the Property's Condition

Once authority and tax considerations are clear, we evaluate the property itself.

The trustee's fiduciary duty requires acting in the best interest of all beneficiaries. That includes making reasonable decisions regarding pricing and preparation.

There are generally three strategic paths:

Option 1 – Sell As-Is

- No repairs or improvements
- Minimal preparation
- Typically attracts investor buyers
- Fastest and simplest approach

Option 2 – Light Preparation

- Remove contents
- Deep cleaning
- Minor cosmetic updates (paint, minor repairs)
- Broader buyer pool
- Often higher net proceeds than as-is

Option 3 – Strategic Renovation

- Larger updates (kitchen, flooring, etc.)
- Longer timeline
- Higher upfront costs
- Potential for maximum sale price
- Increased risk and coordination

The appropriate strategy depends on:

- Timeline
- Condition
- Beneficiary agreement

- Financial objectives

A detailed pricing analysis will be prepared based on the selected strategy.

STEP 5: Handling Personal Property

Trust properties often contain personal belongings that must be addressed prior to listing.

Trustees should:

- Determine what beneficiaries wish to retain
- Document any distribution agreements
- Consider estate sale services, donation, or removal services

Written agreement among siblings is strongly recommended to prevent disputes later.

STEP 6: Trust Bank Account & Financial Handling

If not already established, the trustee should:

- Open a trust checking account (if required)
- Deposit all sale proceeds into the trust account
- Avoid commingling funds with personal accounts

From the trust account, the trustee may:

- Pay property taxes
- Pay final expenses
- Pay realtor commissions
- Pay mortgage payoff (if applicable)
- Pay outstanding bills

This maintains fiduciary compliance.

STEP 7: Pre-Listing Preparation

Before listing the property:

- ☐ Confirm trustee authority
- ☐ Verify title
- ☐ Confirm date-of-death valuation strategy
- ☐ Confirm insurance coverage (vacant policy if needed)
- ☐ Transfer utilities to trust name
- ☐ Complete property disclosures

Trustees complete disclosures based on their knowledge. It is acceptable to indicate “unknown” where appropriate.

STEP 8: Listing & Sale Process

The listing agreement will be signed as:

“[Trustee Name], Successor Trustee of the [Trust Name] dated [Trust Date]”

Once listed:

- Offers will be presented for review
- Trustee evaluates price, terms, inspections, and timeline
- Trustee signs purchase agreement

The trustee’s duty is to act reasonably and in the best interest of beneficiaries.

STEP 9: Closing

At closing:

- Trustee signs documents on behalf of the trust
 - Proceeds are wired to the trust account
 - Settlement statement reflects the trust as seller
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STEP 10: After Closing

After the sale, the trustee should:

- Pay final expenses and obligations
- Prepare accounting
- Distribute remaining proceeds according to trust terms
- Maintain documentation of distributions

Beneficiaries may sign acknowledgment of receipt.

Estimated Timeline

Typical timeline from decision to closing:

- 1–2 weeks preparation
- 2–3 weeks on market (varies by pricing and condition)
- 30 days to close once under contract

Total estimated timeframe: 45–60 days

Final Notes

Selling a trust-owned property is typically more streamlined than probate property, but it still requires:

- Proper authority
- Tax awareness
- Coordination between beneficiaries
- Clear strategy

The goal is to:

1. Protect the trustee legally
2. Protect beneficiaries financially
3. Maximize value within agreed strategy
4. Provide a smooth and organized process

