What are Wills, Trusts, and Beneficiaries?

Worksheet

A will is a legal document stating your final wishes for asset distribution (goes through probate court); a trust is a living arrangement that avoids probate and manages assets seamlessly. Beneficiaries are named recipients of assets. Most people benefit from having both — a will as backup and a trust as the primary vehicle.

Questions

1. What is the primary advantage of a trust over a will?

A) Costs less to create
B) Avoids probate and saves time
C) Guarantees larger inheritances
D) Prevents all disputes

2. Can you change beneficiaries in a revocable living trust?

A) Never
B) Only with a court order
C) Yes, during your lifetime
D) Only after your death

3. What is a contingent beneficiary?

A) A second trustee
B) A backup beneficiary if the primary can't receive assets
C) Someone who contests the will
D) A named executor

4. How long does probate typically take?

A) 1–2 months
B) 3–6 months
C) 6–12 months
D) 1–2 years

5. Marcus creates a will naming his three children as equal beneficiaries (50K each) of his150K estate. He dies. What happens next?

6. Priya creates a revocable living trust, funds it with her $150K in assets, and names her three children as beneficiaries. She dies. What happens?

7. David names his spouse as the primary beneficiary and his two children as contingent (backup) beneficiaries in his trust. David's spouse dies first. What happens when David dies?

8. Define: What is a beneficiary?

9. Define: What's the difference between primary and contingent beneficiaries?

10. Define: Can a beneficiary be changed?

Answer Key

1. B) Avoids probate and saves time — Trusts avoid probate court (6–12 mo delay) and allow immediate distribution to beneficiaries.

2. C) Yes, during your lifetime — Revocable trusts allow unlimited changes during your lifetime — that's their flexibility advantage.

3. B) A backup beneficiary if the primary can't receive assets — Contingent beneficiaries are backups — they inherit only if primary beneficiaries die or decline.

4. C) 6–12 months — Probate averages 6–12 months, though complex estates can take longer.

5. Will goes to probate court; the court validates it, notices heirs and creditors, inventories assets, pays taxes/debts, and distributes per the will. Timeline: 6–12 months. Cost: $5K–10K in legal fees. Heirs receive money, but only after the court process completes.

6. Trust doesn't go to probate. Successor trustee (named in the trust) takes over immediately, inventories trust assets, pays taxes/final debts, and distributes to beneficiaries within days/weeks. No court delays. Cost: ~1K to set up (higher upfront) but saves5K–10K in probate fees.

7. Spouse is gone, so contingent beneficiaries (children) step in. Each child receives their share. Contingent beneficiary planning ensures money reaches your intended heirs even if first choice dies or can't inherit.

8. A person or organization named in a will or trust to receive assets or income after your death.

9. Primary beneficiaries receive assets first; contingent (backup) beneficiaries receive assets only if primary beneficiaries are deceased or decline.

10. In a revocable living trust, yes — you can change beneficiaries anytime during your lifetime. In a will, you can amend with a codicil or create a new will.