

5 serious disadvantages of putting your home in a living trust. Know the risks before making a move in 2026

Moneywise

If you're looking to simplify the process of transferring your home to your heirs after you pass, you may have considered transferring it to a living trust.

This is a maneuver some estate planners recommend in order to avoid the dreaded probate process. It's an increasingly popular strategy for wealthy families with valuable homes.

According to Chris Van Atta, a senior wealth planner with City National Bank, the use of living trusts has surged in the past 30 years (1).

Care.com reports that roughly 13% of respondents to a 2025 survey had a living trust as part of their estate plan (2)

A living or revocable trust lets you set terms for how your assets are handled after your death, while allowing you to retain full control of them during your lifetime.

You minimize costs and legal friction for your loved ones, without having to sell or liquidate your assets while you're still alive. It can be changed or dissolved at any time while you are alive.

But there are some drawbacks to this maneuver.

Five serious drawbacks to living trusts

Here are some downsides that deserve more attention if you're considering a living trust,

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1. They're expensive to set up.

Setting up a living trust and transferring your home to it is likely to set you back \$400 to \$4,000 depending on the location and complexity of your case, according to LegalZoom (3).

Bear in mind that this is only the upfront cost of setting up the trust.

Any amendments, modifications or changes to your trust in the future may require the assistance of an estate lawyer. The average will and trust lawyer charges around \$370 per hour,, so you could be looking at a bigger overall bill over the long-term.

Depending on your net worth and your home's value, these costs may be justified.

But if you think the process is too expensive, consider reaching out to an experienced estate planner for advice.

2. They require time-consuming paperwork.

Transferring your home to this new entity involves considerable red tape and paperwork. You need to transfer the deed, register beneficiaries and select a trustee to administer the trust upon your passing.

All this can take weeks if not months, depending on your situation.

On the other hand, going through probate court could take anywhere from six to 12 months, according to LegalZoom, so it may be worth it for your loved ones' sakes (4).

3. You have to prepare for mortgage and financing challenges.

Transferring the title to your home to a new legal entity can complicate your mortgage or financing needs.

If you have an outstanding mortgage, such a transfer could trigger "due-on-sale" or "due-on-transfer" clauses in your loan.

It can also complicate any refinancing on the property.

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If you haven't paid off your home loan or need to refinance in the future, reach out to your lender and let them know you're considering this move.

They may be able to greenlight the process or stop you from triggering any overlooked clauses in your mortgage agreement.

4. There are tax implications.

Many state and local governments have procedures to handle property tax assessments when your home is transferred through a living trust.

Depending on the structure of your assets, the tax implications can usually be minimized.

Nevertheless, a quick check with your local municipality and state government could help you avoid any expensive missteps.

5. There are implications for your title insurance.

Transferring the property's title could disconnect you from insurance coverage, according to United Policyholders (5).

To avoid any complications or denied claims in the future, reach out to your insurer and see if you need an endorsement on your title insurance policy or a new policy.

Final takeaway: Setting up a living trust and transferring your home to it could be a financially savvy move for some families, but make sure you hire experts to help you navigate all the tax and legal hurdles before taking this big leap.

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