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What is the difference between a revocable and an irrevocable trust?



Under Illinois law, a trust is irrevocable unless the trust specifically says it is revocable. A trust that is revocable may be terminated and/or changed by the settlor. A revocable trust provides the settlor with flexibility. The income of a revocable trust is reported on the income tax return of the settlor. The rationale is that by retaining the right to revoke the trust, the settlor has retained enough control over the property in the trust to treat it as if it were owned in his or her name.

An irrevocable trust cannot be changed or terminated by the settlor. Irrevocable trusts have less flexibility, but can provide tax advantages if the goal is to gift property out of the settlor's estate and the settlor does not retain other powers.

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