

CONSIDERING A CORPORATE TRUSTEE? HERE ARE SOME VERY GOOD REASONS WHY YOU SHOULD

One of the most important decisions clients face when establishing a trust is the selection of the trustee(s). While some individuals name a family member or a friend, others prefer to choose an established and trusted financial institution for this very important role. By choosing a corporate trustee, you help ensure that your intended wishes are carried out by an organization with the experience, continuity and professionalism that you and your beneficiaries expect and deserve.

WHAT DOES A TRUSTEE DO?

Trustees have a very big job. Not only are they fiduciaries responsible for protecting and managing the trust assets; but they act as independent decision-makers among your family members and other beneficiaries. Here are some of the many tasks a trustee must perform:

- Review and interpret the trust document
- Review trust assets, discretionary distributions & income needs
- Distribute trust assets as directed in the governing trust document
- Perform principal and income accounting
- Prepare periodic statements for beneficiaries and other interested parties
- Prepare and file tax forms
- Invest the trust assets in a tax-efficient manner for current and future beneficiaries
- Understand constantly changing fiduciary and tax laws

WHY CHOOSE A CORPORATE TRUSTEE?

Do your family members or friends really have the time, dedication, and fiduciary expertise to fulfill the duties and responsibilities of managing your trust? Probably not. These responsibilities, and the risk of not handling them properly, is a huge undertaking and a lot to ask of anyone, especially if they do not have the proper experience or resources at their disposal. An unintended error by a well-meaning friend or family member could undermine your goals and cost your beneficiaries greatly. For this reason and the reasons listed below, many people consider hiring a corporate trustee instead.

1. EXPERIENCE, TIME AND EXPERTISE

While they may have good intentions, individual trustees often do not have the time or experience it requires to properly administer and manage a trust. It is difficult to navigate all of the tasks associated with being a trustee when this is not your full-time profession. Not to mention the hassle of dealing with discretionary requests from the trust or the discord amongst beneficiaries that sometimes develops. Corporate trustees have experienced personnel trained to evaluate a difficult situation, mediate disputes between beneficiaries, and deliver unbiased solutions thoughtfully and in a professional, dispassionate manner.

Additionally, trustees must have a thorough understanding of trust laws, tax rules, and other fiduciary standards of care. It is often difficult for an individual trustee to navigate the ever-changing fiduciary requirements and legalities associated with managing trusts. This lack of knowledge may cause the trust and its beneficiaries unintentional harm. Conversely, a corporate trustee's job is to understand the legal, tax and fiduciary rules surrounding trusts; including continuing education requirements in order to stay on top of the changes.

2. LOYALTY

Trusts commonly name both primary beneficiaries and remainder beneficiaries. A typical arrangement names the surviving spouse as the primary and the deceased's children as the remainder. Oftentimes the interests of these two classes of beneficiaries are not aligned. For example, the primary beneficiary (in this example, the spouse) may want the trust invested to generate more income during their lifetime; while the remainder beneficiaries (the children) would benefit from more growth oriented investing. Corporate trustees will weigh the interests of both the primary and the remainder beneficiaries in their management and investment of the trust.

3. OBJECTIVITY

Corporate trustees will follow the instructions of the trust document objectively and faithfully. They are not subject to the pressure individual trustees often encounter when making sensitive or unpopular decisions among family members. Corporate fiduciaries have the training and experience required to deal with these difficult situations and don't feel the pressure to say yes to a beneficiary -- when they really should be saying no. Additionally, corporate trustees have committees which routinely review beneficiary requests to ensure that each are handled according to the terms of the trust document.

4. REGULATORY OVERSIGHT

Individual trustees are not regulated or accountable to anyone; nor are they held to the higher standards that corporate trustees are subject to. Most individual trustees do not carry liability insurance in the event the unfortunate situation arose where a beneficiary were to bring litigation against the individual trustee, who may not be able to pay the damages.

Corporate trustees are regularly monitored and examined by independent auditors and the applicable state or federal banking regulators. As a fiduciary, corporate trustees are required to carry appropriate liability insurance to protect their clients in the event of loss of trust assets, wrongdoing or litigation.

5. COST

Corporate trustees can actually reduce the overall trust administration expenses. Individual trustees often do not have the expertise needed to properly manage the affairs of the trust; therefore they must hire various professionals to assist them. This may include investment advisors, accountants, lawyers, and other agents. These are all functions that a corporate trustee performs every day for other clients and thus can provide this comprehensive service package at a lower cost than will result if paying for these services in a fragmentary approach.

6. LONGEVITY AND PEACE OF MIND

It can be very reassuring to know you have selected a professional with the expertise and longevity required to properly manage your trust assets after you are gone. Individual trustees may become unavailable to serve their appointment due to health issues, age, death – or simply their unwillingness. This creates uncertainty and a lack of continuity for the trust and the beneficiaries.

Corporate trustees, on the other hand, are not dependent on the availability and circumstances of one person; they do not die, become ill or incapacitated, or move away. A corporate trustee can provide peace of mind that your trust is being managed by professionals who are always available when you need them most.

