

How can I evaluate a corporate trustee?

Talk to several. Visit them if you can. Ask how long the trust department has been in business, how many trusts they manage, minimum and average size of trusts they manage (most require a certain amount of assets) and how much experience their people have in the trust business.

Compare investment returns, fees (including when and how much the last increase was) and services. Ask to see samples of statements or reports you would receive and see how easy they are to understand.

Facts and numbers are important, but so are the people. Do they seem to genuinely care about you and your family? Do they listen and seem to understand your concerns? Can you understand them? How confident are you that they will be there for you and your family when they are needed?

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Understanding

CORPORATE TRUSTEES



7 REASONS TO HAVE A PROFESSIONAL HELP YOU BUILD, MANAGE AND PROTECT YOUR WEALTH

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Panel 2

Panel 3

With people living longer and health care costs continuing to rise, our savings must grow larger and last longer. Deciding where to put your money in an uncertain market with so many investment options from which to choose can be very confusing, and making a wrong decision can be very costly.

One option you should not overlook is the bedrock of asset management and personal service—the corporate trustee.

What is a corporate trustee?

A corporate trustee is a bank trust department or trust company. Its employees can help you build, manage and protect your wealth when you put your assets in a trust.

A trust is simply a legal document that lets you reduce unnecessary legal fees, save taxes and keep control over your assets while you are living, if you become physically or mentally incapacitated, and after you die.

When you set up a trust, you need to name someone (a trustee) to manage the assets your trust controls. While you can choose just about any adult, there are very good reasons why you should consider a corporate trustee.

7 Reasons To Use A Corporate Trustee

1. You'll gain the advantage of years of experience.

Because they manage trusts on a daily basis, they are familiar with all kinds of trusts, tax and estate planning strategies, and the legal responsibilities of a trustee.

They can manage the assets in your trust now and/or after you die as your trust directs—buying and selling assets, paying bills, filing tax returns, maintaining accurate records, and distributing income and assets. Most have experience with all kinds of assets, including stocks and bonds, real estate, farms, closely held businesses, mineral properties, international investments, and collectibles.

2. You'll enjoy the potential of even greater investment returns.

Corporate trustees give their full attention to managing trust assets—that's their job. And because their staff collectively has more experience and resources than an individual, they often achieve better results.

After discussing your financial goals, risk tolerance and long-term objectives with you, they will recommend the best in-

vestment strategy for you. Then, depending on how involved you want them to be, they can provide ongoing advice, or even make decisions *for* you, to make sure your investments stay on track to reach your goals.

3. You'll protect your wealth because corporate trustees are regulated by both state and federal agencies.

Also, most courts consider them “experts” and expect them to meet higher standards than a nonprofessional.

4. You'll receive reliable, professional service. A corporate trustee won't become ill or die, divorce, go on vacation, move away or become distracted by personal concerns or emotions as an individual might.

5. You'll value their objectivity. They will follow your trust instructions objectively and faithfully, something family members are often unable to do.

6. You'll tap their rich sources of advice and referrals.

They routinely provide advice on investment, tax, retirement and estate planning issues, and can refer you to attorneys and other qualified professionals as needed.

7. You'll enjoy peace of mind. Knowing you have selected someone with experience and integrity to manage your financial affairs now and/or when you are no longer able to do so yourself can be very reassuring.

When would I use a corporate trustee?

If you set up an irrevocable trust (like a charitable or life insurance trust), or you plan to make gifts in trust—strategies often used to save estate taxes by removing assets now from your taxable estate—you will probably need to name someone other than yourself as trustee for tax reasons. A corporate trustee is a natural choice to make sure your irrevocable trust is administered properly.

If you set up a revocable living trust—to avoid probate when you die and prevent court control of your assets at incapacity—you can be your own trustee. Even so, there are many benefits to having a corporate trustee involved. They can assist you in several ways:

1. As Trustee

As trustee, a corporate trustee has full responsibility for managing your trust assets according to your instructions.

This would be an excellent choice if you are elderly and have no one you can trust to take care of your financial affairs. You may be widowed, have no children or other trusted relatives living nearby (or don't want to burden them), or you and your spouse may be in declining health.

Even if you are capable of managing your own trust, a corporate trustee can be a wise choice. You may not have the time, desire or investment experience to manage your trust yourself. Or perhaps you just feel that someone with more time and experience could do a better job than you.

2. As Co-Trustee

If you want to take advantage of a corporate trustee's investment experience but still be involved, you could have one work with you as co-trustee. Developing a working relationship with a corporate trustee now lets them become familiar with your objectives, your trust and your beneficiaries' needs

and personalities while you are around and able to provide guidance and input.

It would also let you see how they would perform in your absence, let you evaluate their investment performance and service, and let you see how comfortable you feel with them overall—a kind of “trustee test drive.”

3. As Investment Agent

You could also name a corporate trustee as agent. While a co-trustee has equal responsibility with you (usually both signatures are required to transact business), an agent can have as much responsibility as you wish.

You can have an agent manage only a portion of your trust's assets (your stocks and bonds, for example) or just provide you with investment advice, with you making all final investment decisions.

COULD A CORPORATE TRUSTEE HELP YOU? LOOK AT THESE 18 REAL-LIFE SITUATIONS

If you can relate to any of these situations, you could probably benefit from the services of a corporate trustee:

Building Wealth with Professional Asset Management

- My spouse took care of all our investments. Since he (she) died, I don't know what to do or whom to trust.
- I don't know where I should invest my money. I'm so confused by everything I read.
- I just received a large inheritance. I've never had to invest this much money before.
- I travel a lot now (business or pleasure) and I don't have time to manage my investments like I used to.
- I recently sold my business (or other assets). Now I just need to figure out how to invest my money.
- I just received a large settlement from a lawsuit, divorce, etc.

Wealth Protection with Retirement/Estate Planning

- I'm retiring soon. I'm not sure how I should take distributions from my IRA and other plans.
- I'm a business owner/professional and I'm wondering what my options are for retirement plans.
- I'm changing jobs. Should I take a lump sum distribution from my current retirement plan?
- I want to avoid probate and save estate taxes.

Smooth Settling of an Estate

- I'm executor/personal representative of my father's estate (trustee of my father's trust). I don't know what I'm supposed to do or how to do it.

Peace of Mind at Incapacity

- I worry about what will happen to me and my money if I become mentally or physically incapacitated.
- I'm concerned about my mother (father). I don't have the time to help her with her finances, and I'm worried she might be taken in by some scam.

Caring for Loved Ones/Gifts

- One of my children is not responsible with his own money. I shudder to think what will happen to his inheritance—*my* money—after I die.
- I want my children to be responsible and productive—not spoiled or lazy from a large inheritance.
- I'd like to make gifts to my children and grandchildren to save estate taxes.
- I have a child with special needs. I worry about what will happen to him when something happens to me.
- I'd like to make a large gift to a charity.

4. As Successor Trustee

If you decide to be your own trustee (for example, of your revocable living trust), consider naming a corporate trustee as your successor trustee. In this capacity, they will step in and manage your trust for you when you can no longer act due to incapacity or death. Many people like the idea of having a professional take care of the paperwork, tax filings and other final details.

Couldn't I name a relative or friend instead?

You could, but keep in mind that family and friends are not always a good choice to be involved with your trust.

They may be too busy with their own affairs, may reside in a distant area, may not get along with other family members, or may not be responsible or experienced enough to manage the trust assets. An innocent error by a well-meaning but inexperienced relative or friend could negate your careful planning and cost your beneficiaries thousands of dollars.

One option is having a relative (perhaps one or more of your adult children) and a corporate trustee work together. This would give you the professional experience and objectivity of a corporate trustee *and* the personal involvement of someone who knows you.

Do I lose control if I use a corporate trustee?

Not if the trust is prepared correctly. With most trusts, you can change your trustee at any time if you aren't satisfied. Even with an irrevocable trust, you or your beneficiaries can have the right to change the corporate trustee.

Also, the trustee you select *must* follow the instructions you put in your trust—while you are living, if you become incapacitated, and after you die. That's because a trust is a binding legal contract, and your trustee can be held liable if he or she doesn't follow your instructions.

How safe are trust assets?

Even if a bank or trust company fails, trust assets are safe. By law, trust assets must be kept separate from all other assets. They cannot be loaned out, mixed with the corporate trustee's own assets or used to satisfy its creditors. Because of these safeguards, trust assets are not insured by the FDIC.

You are also protected against fraud, theft (for example, if an employee takes trust assets and disappears), or if they make

an error administering your trust. But, of course, there is no insurance or bond that will protect you if your assets lose value simply due to a decline in market values.

Should everyone use a corporate trustee?

No, of course not. But many more people should consider one. Most people are just not aware of the many benefits a corporate trustee can offer them and their families.

You need to look objectively at your situation and the type of trust you set up. If you have a modest estate and your trust is fairly simple, you may be fine being your own trustee and having a capable family member step in for you when you can no longer manage your trust yourself.

But if your estate is larger, has a variety of assets, includes tax planning, or if you doubt your relatives' capabilities or intentions, you should definitely consider a corporate trustee.

Are there any disadvantages to using a corporate trustee?

Because they must objectively follow the instructions for the trusts they manage, some beneficiaries (especially those who want the money *now* instead of when the trust states) have found them to be uncooperative.

But that may be exactly what *you* want. One reason why many trusts are set up, and a corporate trustee chosen, is to keep a beneficiary from getting the money until Mom and Dad (or whoever set up the trust) intended.

However, if you are concerned about a corporate trustee being too impersonal, you can always name a family member or close friend to act with them as co-trustee.

Is a corporate trustee expensive?

Most are very reasonable, especially when you compare their fee to the costs of paying others for estate and tax planning advice, for investment management, for preparing tax returns, and for investment trading commissions.

A corporate trustee typically provides all these services and more for only a small percentage of the value of the assets they manage for you. (Fees are published, so you can find out what they are.) And because their compensation is based on how much those assets are worth (instead of on how many trades they make for you), a corporate trustee is motivated to help your assets grow.