

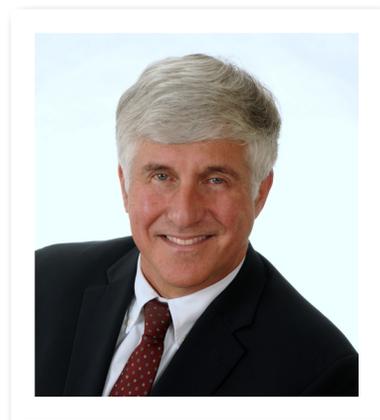
# TRANSITIONS

## Successful Selection of Your Trustee

When reviewing your Trust as part of your estate planning, an important point for thoughtful consideration is exactly who should be a trustee. The selection of another trusted person, beyond just yourself and your spouse, is imperative.

During a periodic review, look at the current trustee. The person you initially selected many years ago may no longer be able to properly handle the role of being your trustee. Moreover, I have seen many Trust documents appoint a local bank as the final backstop trustee after every other trustee is unable to serve.

When we look to our local bank as a potential trustee, the problem is continuity. Does your bank still have the same name as it did twenty-five years ago? What happened to the bank officers you worked with? Often the trusted bank officer has left, and the new bank consolidated their trust functions elsewhere. The glaring problem is when you really need the bank to be your trustee, the person assigned to handle your Trust probably never knew you... or even met your family. Many financial institutions seem to follow a standard formula to manage a trust, even when there are compelling reasons to think more creatively to take care of family needs. We call this "cookie cutter" portfolio management, where securities are held that meet their standard formulas, instead of the needs of the beneficiary. Another common issue are internal policies which limit distributions to beneficiaries regardless of their real needs. These issues arise in part because it is often very difficult to remove a bank as trustee, so there is no incentive for them to better serve your beneficiaries. This often leaves the



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operation of your Trust at odds with both your intentions and the needs of your beneficiaries.

*The solution?* One part is easy, select a better backstop trustee. However, your main focus should be to evaluate whom is best to serve as the acting trustees and their successor trustees. Naming family friends, spouses, or children as trustees may have merit as they know the family dynamics and can identify beneficiaries in need.

From my unique perspective of having spent much of my investment career investing trust portfolios and also acting as a trustee, a Trust works best when there is a trustee with experience handling trust matters. This experience includes: understanding how to follow “the prudent man rule” when investing; properly balancing the investment portfolio in terms of growth and income securities to meet the needs of both current beneficiaries and future beneficiaries; grasping the impact of trust accounting on distributions; and maintaining appropriate books and records that would meet the specific needs of the probate court.

By carefully reviewing your trustee selections, you are ensuring the ongoing operation of your Trust precisely at the time in life when you need a seamless succession of trustees. With the operation of your Trusts in capable hands, you and your family will be comfortable knowing your estate plans are working as intended.



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