

A custom approach for family trusts and asset management

How choosing the right trusts can improve effectiveness

THE CHALLENGE:

Today's wealthy families may reflect multiple generations and blended structures. Their assets may include equities, fixed income, alternative investments, real estate, closely held businesses or private equity interests, among others.

As families create and refine their estate plans, which may include living trusts or testamentary trusts, they must address four key questions:

1. Who is the trustee going to be?
2. How will the assets be managed?
3. How will the assets be disbursed?
4. What is best for current and future beneficiaries?

While these questions may look straightforward, the answers may be more complex than grantors realize.

- The role of trustee involves considerable responsibility — and personal liability — whether the trustee is a professional or a family member.
- Asking a family member to take it on can create inherent conflicts while saddling them with a burdensome list of tasks for which they may not be qualified.
- Managing assets for the long term, particularly non-traditional assets, requires investment expertise, skilled cash flow management and a full range of modern solutions.
- Corporate trustees may determine that making discretionary distribution decisions is not consistent with the wishes of the grantor, leaving beneficiaries without the support that was intended.

We can help you navigate the questions and choose the right solutions

If you're establishing a new will or trust, we can help you determine who the trustee or trustees should be.

If you're a corporate trustee, we can help you evaluate your options for managing the assets.

If you're a family member who serves as a trustee, we can help you reduce risk by converting to a directed trust.

More effective investment management. Less personal liability. Talk to us about our trust investment advisory capabilities today.

DIRECTED VS. TRADITIONAL TRUSTS:

Comparing directed trusts and traditional trusts

Determining whether to create a directed trust or a traditional trust will depend on the specific needs and goals of the trust creator and beneficiaries. Both types of trusts have their own advantages and are suited for different situations. Here are some key factors to consider:

Directed Trust	Traditional Trust
Control: In a directed trust, the trustee is directed by a trust advisor or trust protector who has specific powers, such as directing investments or making distribution decisions. This allows for more specialized expertise and control over certain aspects of the trust.	Simplicity: Traditional trusts often involve a single trustee who manages all aspects of the trust, which can simplify administration and decision-making.
Flexibility: Directed trusts can be more flexible as they allow for the separation of duties among different parties. For example, one advisor might manage investments while another oversees distributions.	Unified responsibility: With one trustee responsible for all decisions, there is a single point of accountability, which can streamline communication and management.
Reduced liability for trustee: Because the trustee is following the direction of advisors or protectors, their personal liability can be limited, potentially reducing the risk of taking on the role.	Time-tested structure: Traditional trusts have a long history and are well understood by legal and financial professionals, which can make them easier to implement in standard situations.
Customization: Directed trusts can be tailored to meet specific needs, such as incorporating complex investment strategies or addressing unique family dynamics.	Customization: Traditional trusts can be tailored to meet specific needs, such as incorporating complex investment strategies or addressing unique family dynamics.

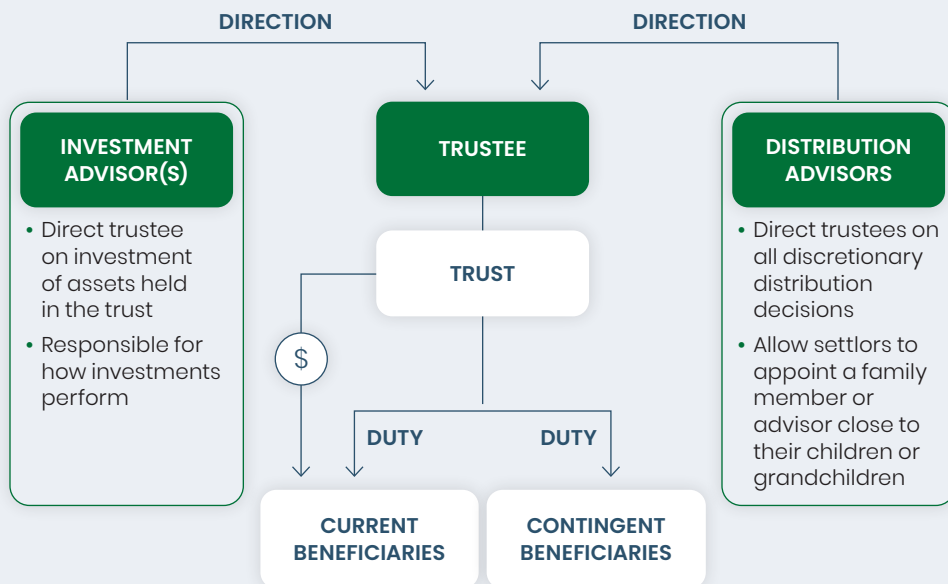
Directed Trusts offer an effective and customizable solution

In a directed trust, the role of the trustee is divided into three responsibilities — administration, investment management and disbursements — in order to reduce risk and improve the effective execution of the trust. An investment advisor and a distributions advisor are named to carry out essential functions they are better suited to manage. The trustee performs administrative duties including filing tax returns and handling record-keeping, and is responsible for the proper administration of the trust.

HOW IT WORKS:

An estate planning vehicle that protects the assets, the beneficiaries and the trustees

By delegating certain responsibilities to the investment advisor and the distributions advisor, the trust assets can be better managed and the trust can be more effectively administered. Allowing the trustee and the advisors to do what they do best aligns with the best interests of the current and future beneficiaries.



HOW IT HELPS:

Increase specialization and reduce risk with a directed trust

Establishing a directed trust — or converting an existing trust to a directed trust — can make it easier for the trustees to fulfill their fiduciary responsibilities. It can also help protect them from liability risk by bringing in experts to handle investment management and distribution decisions.

Managing Disbursements

It can be difficult to determine whether to approve discretionary distribution requests, as well as where to source the funds. It is not always clear whether requests from the beneficiaries are in line with the terms of the trust. An experienced disbursements advisor, preferably someone with a personal relationship with the grantor, can relieve the trustee of a risky burden.

Managing The Investments

The trust assets must be managed to meet multiple goals, including current liquidity, continued growth and tax-efficiency. Non-traditional assets such as real estate or limited partner stakes or mineral rights require specialized knowledge. An experienced investment advisor can balance different objectives and time horizons while offering the expertise the assets demand.

Managing Personal Liability

The trustee role is a fiduciary one, and with that comes personal liability. The penalties for breaching their fiduciary duty include paying for any damage to the trust out of the trustee's own pocket. The number of lawsuits against trustees is rising, and the courts are allowing class action suits against corporate trustees for mismanagement of trust assets.

- **Choosing between a directed trust and a traditional trust** involves considering factors such as the complexity of the trust's assets, the need for specialized management, the importance of flexibility and the cost of administration.
- **Consulting with an experienced advisor** can help determine the most appropriate structure based on individual circumstances.



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