

# 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                                                                                                                                                                                  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Control:</b> 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. | <b>Simplicity:</b> Traditional trusts often involve a single trustee who manages all aspects of the trust, which can simplify administration and decision-making.                                  |
| <b>Flexibility:</b> 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.                                                                  | <b>Unified responsibility:</b> With one trustee responsible for all decisions, there is a single point of accountability, which can streamline communication and management.                       |
| <b>Reduced liability for trustee:</b> 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.                                                                         | <b>Time-tested structure:</b> 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. |
| <b>Customization:</b> Directed trusts can be tailored to meet specific needs, such as incorporating complex investment strategies or addressing unique family dynamics.                                                                                                               | <b>Customization:</b> Traditional trusts can be tailored to meet specific needs, such as incorporating complex investment strategies or addressing unique family dynamics.                         |

