

# Why Trustees Shouldn't Go it Alone: The Advantages of Selecting an Agent

Helping preserve legacies and power with an agent for trustee



It can be an honor to be selected as trustee for a family trust and personal estate. The designation is typically awarded to close relatives, friends, or advisors with whom there is a personal connection. It can be a privilege to be given the responsibility for ensuring that a grantor's wishes, values, and legacy are carried out as envisioned.

Oftentimes, however, a trustee accepts the role without fully appreciating the overwhelming administrative, legal, tax, and other duties that the position entails. This honor may quickly become an overwhelming burden for an individual trustee; the individual trustee could be well served to share these obligations with an experienced, well-staffed corporate agent.

## Key takeaways

- The most well-meaning of family trustees often lack both the time and the expertise necessary to manage a trust
- Often, an individual accepts the role without fully appreciating the overwhelming administrative, legal, tax, and other duties that the position entails
- Delegating such tasks to a corporate agent for trustee can help ease the burden and allow an individual trustee to retain ultimate fiduciary control and focus on family relationships

## The features of naming an agent for trustee

The most well-meaning of trustees often lack both the time and the expertise necessary to manage a trust. They frequently find themselves feeling devastated and frustrated by the sea of requisite operational tasks and many welcome the opportunity to join forces with a corporate agent, known as an agent for trustee. In this arrangement, the trustee is able to retain ultimate fiduciary control and focus on family relationships as well as high-level strategic decisions—while delegating to the agent for trustee the voluminous, multidisciplinary tasks that are beyond his (or her) purview, which may include:

- **Discretionary distribution support:** Provide advice and guidance with respect to beneficiary discretionary distribution requests; an agent is able to review the request and advise whether or not the request is appropriate given the terms of the agreement
- **Administer day-to-day support functions:** Calculate and execute trust disbursements to beneficiaries; track expenses; process transactions; and make scheduled or recurring bill payments (while providing guidance and consulting with legal and tax specialists as needed, on the trustee's behalf)



- **Manage trust accounting and reporting:** Monitor trust principal and investment income; prepare and file financial statements, tax returns and schedules, and court accountings
- **Ensure compliance:** Keep pace with evolving federal and state regulations and laws to help mitigate legal risk and potential liability that can come with penalties and missed deadlines
- **Invest assets:** Craft an investment policy statement for marketable assets that adheres to the trust's objectives and risk tolerance while balancing risk and return; oversee nonmarketable assets like real estate, private equity\*, and specialty, harder-to-value investments, in addition to privately held business interests
- **Help ensure family harmony:** Serve as an objective third-party professional who can bring a neutral, equitable perspective to monetary conflicts among beneficiaries and other heated family dynamics
- **Provide operational continuity:** Step in, should the trustee become ill, incapacitated, or otherwise unable to fulfill his responsibilities, which can be more likely in the case of multigenerational structures

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\*Investments that focus on alternative assets are subject to increased risk and loss of principal and are not suitable for all investors.

### Case Study:

Jim and Alan were lifelong best friends. When Jim established a family trust and named Alan as the trustee to help look out for his wife and two children in the event of his passing, Alan was touched and quickly accepted. After Jim unexpectedly died soon afterward, his heartbroken yet devoted friend sought to fulfill the trustee functions. Although Alan was bright and well-educated, and had run a successful jewelry business for most of his life, he soon found he was in over his head—as he had no tax or legal training and knew only the basics when it came to investing.

He spent hours after work and on the weekends trying to perform the many administrative and operational responsibilities he'd taken on. He didn't want to be absolved of what he felt was a privilege and promise—to see that Alan's wishes were fulfilled, his legacy perpetuated, and his children's needs met—and he soon learned that he would be able to retain that important control if he engaged a professional agent for trustee.

The agent was able to take on the weighty trust administration, recordkeeping, compliance, tax, and investing responsibilities. With all that off his plate, Alan was relieved to get his life back and devote time to Jim's family as a loving surrogate uncle and brother. Although Alan hired a corporate agent to assist in the trust administration, he continued to work with the family to ensure that Jim's wishes were carried out.

*This is a hypothetical scenario for illustrative purposes only and does not depict any actual client information or data.*

## Balancing the best of two worlds

The word trustee is very intentional. Individuals often bestow that venerable distinction on those who are deemed honest and in whom they have complete faith to administer property in trust for their beloved beneficiaries. Just because one is chosen, however, does not necessarily mean that he or she is qualified to serve—at least not in all of its many capacities.

**Selecting a company with experience in trust administration to fill the collaborative role of agent for trustee may not just be a savvy strategic decision but also a way to protect a trustee's energy, relationships, and time. In fact, engaging an agent for trustee who possesses knowledge and experience in areas that span the labyrinthine complexities of trust management, administration, and recordkeeping can be the most selfless choice a trustee makes. It permits one to leave an overpowering administrative burden to the specialists, while retaining fiduciary control that helps to ensure the trust's purpose will be honored, the legacy safeguarded, and the beneficiaries protected in the way the grantor intended.**

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