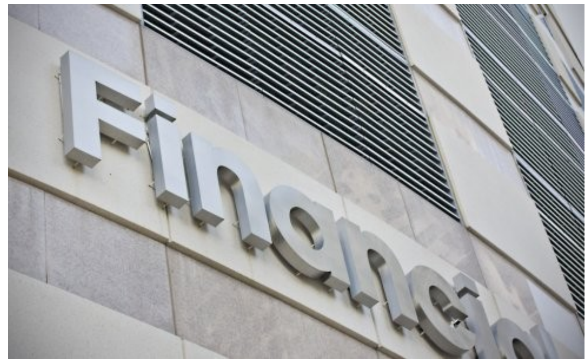
# Corporate Trustees: Smart Choice or Risky Move?

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Whether you name a financial institution to manage your trust assets when you are no longer able to do so for yourself, is ultimately a matter of personal preference and choice. In the first part of a two-part “point-counterpoint” consideration of corporate trustees serving as such for individuals’ personal trusts, I examine the potential advantages and reasons to do so. I’ll share the other side of the conversation—the potential drawbacks of naming a corporate trustee next month.

## What Is a Corporate Trustee?

A corporate trustee is a bank, trust company, or professional fiduciary institution that manages trust assets for a fee. Such entities specialize in administering trusts and are regulated by state and federal laws to ensure ethical and competent asset management and protect against fraud and abuse.

So, what are the advantages of utilizing a corporate trustee? Why should you name a financial institution to manage your trust? Is it the best choice in your situation? Consider the following top five advantages of a corporate trustee:

**Professional Expertise**

Most corporate trustees bring extensive knowledge in investment management, tax planning, fiduciary law, and trust administration. Managing others’ assets is what they do; it’s (typically at least) all they do. This can be especially valuable for complex trusts or large estates, where mistakes could be quite costly and have a substantial impact on the trust assets and both current and future, vested and/or contingent beneficiaries. Clearly, the level and extent of such expertise matters. When evaluating the potential advantages of a particular corporate trustee, consideration should be given to years of experience and the depth of knowledge of the team expected to manage one’s trust assets.

**Impartiality**

Face it, family dynamics can be, well, complicated. Appointing a family member or friend as trustee can sometimes lead to unintended and unforeseeable conflicts or strained relationships, especially when it comes to issues such as how to invest and whether and when to make distributions. For example, we only narrowly avoided litigation recently when one of several sibling beneficiaries determined herself to be on the wrong side of preferential treatment by their deceased parent’s hand-picked trustee, a long-time close family friend. For the trustee’s part, it was difficult not to play favorites when certain of the sibling beneficiaries considered and treated the trustee like family, while the lone sibling saw the trustee as nothing more than a favorites-playing impediment to her inheritance. In principle, at least, a corporate trustee affords objective decision-making, free from personal bias, or emotional involvement.

**Continuity and Reliability**

Unlike individuals who may become ill or infirm, die, or relocate, corporate trustees typically afford long-term stability and continuity. This can be particularly useful for trusts designed to last for decades or span multiple generations. Here too, however, one would be well-advised to recognize that not all trust companies are created equal. It is important to inquire about those trust company employees who will oversee and provide day-to-day management decisions regarding your trust and what, if any, checks and balances there might be if and when staffing changes occur.

**Fiduciary Duty**

Corporate trustees are legally bound to act in the best interests of the beneficiaries and are held to high fiduciary standards. Most also carry insurance and are subject to regulatory oversight, which adds extra layers of protection for beneficiaries who might not even be born at the time of making the trust. I note here, as well, that a generally conservative approach (erring on the side of caution – for the benefit of future/contingent beneficiaries) when it comes to investment/distribution decisions not only serves to provide an added layer of protection for the intended future beneficiaries but, thinking cynically, also happens to align with a corporate trustee's own pecuniary self-interest, i.e. concomitantly serves to generate higher income for the institution.

**Administrative Efficiency**

Trust administration requires ongoing tasks, including record-keeping, periodic tax filing obligations, asset (re-)valuation responsibilities, timely periodic noticing, and asset distribution requirements (discretionary and mandatory). Corporate trustees generally maintain systems and staff to manage these responsibilities efficiently and accurately. At a minimum, one should evaluate a potential corporate trustee's abilities and track record in this regard.*

**As a pertinent aside here, I note that certain individual professionals offering "trustee services" (accountants, for instance) might afford a similar level of administrative efficiency, along with the types of fiduciary protections, professional expertise, and one or more of the additional benefits described above.*