



## CHOOSING A TRUSTEE

### The Perils of Picking a Family Member as Trustee

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*While a friend or family member may seem competent, you won't see them in action with your assets. Hiring a professional trustee can give you the opportunity to see their work and judgment while you're still living.*

When you were 10, your brother helped you budget your allowance to afford a bike. When you were 20, your sister helped you secure an internship in your career field. So naturally, either would be a great choice as a trustee for your estate, right?

Not necessarily, said Thomas Frank, executive vice president and Northern California regional manager for Whittier Trust, a wealth management and investment firm. Here's why it's a smart idea to forego family or friends and consider a professional trustee.

#### 1. A Truly Impartial POV

When stress and emotions rise, as they do when a loved one dies, tensions can emerge—even in mild-mannered and loving families, said Frank. A professional trustee is impartial, which can be a tough stance for friends or family to take when it comes to assessing the intentions of loved ones who have died.

“Trust litigation is a growing area, where beneficiaries sue a trustee, so naming a loved one as a trustee may not be doing them any favors,” said Frank. For example, “naming one sibling as trustee for the other(s) is a recipe for intrafamily litigation. No one wants their sibling to be in charge of their financial destiny.”

#### 2. Ability to Assess a Professional Trustee

While a friend or family member may seem competent, you won't see them in action with your assets. Hiring a professional trustee can give you the opportunity to see their work and judgment while you're still living.

“At Whittier, we have some clients who come in with the intention of naming us as a trustee, and give us assets to manage as a way to assess the relationship,” said Frank. This sort of relationship can be invaluable if your spouse were to die.

“Sometimes, we have situations where one spouse is actively managing investments,” Frank added. “If something were to happen to that spouse, the surviving partner wouldn’t know where to pick up. Developing a relationship with a professional trustee can put everyone on the same page.”

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### 3. Less Responsibility and Liability for Family Members

“Being a trustee involves a lot of work,” said Frank. “A need for expertise on asset management and taxes and is a full-time job. It’s a burden.”

While a professional trustee charges a fee (usually a small annual percentage of the estate’s assets), they are a fiduciary, bound to act in the best interest



of the trust. Not only does hiring a trustee take administrative tasks and responsibility off the plate of your beneficiaries, but the expense of a professional



trustee may be less than hiring multiple professionals to manage the trust. For example, if your trust includes investments, business ownership and real estate holdings, a professional trustee may have the expertise to manage this full portfolio, rather than relying on multiple advisors.

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### 4. Protection for Your Beneficiaries

Some people may hold back from appointing a professional trustee because they fear their loved ones would lose control of the estate. But that’s not the case, said Frank. Putting conditions in place, such as the right to remove and replace a trustee, can still give your loved ones overall control of how they wish the trust to be handled.

“We’ve seen a lot of situations where a local banking institution was named a professional trustee,” he said. “Down the road, that bank gets swallowed up by a national institution, and beneficiaries find their needs handled by a 1-800 number. Even if that’s fine, they may still want that personal attention, which can be a reason to remove and replace.”

There are other options that can protect your estate from a rogue trustee. Naming a third-party or

professional trust protector who can monitor or replace trustees can be an option if you anticipate beneficiaries may not have the capacity to reach consensus when it comes to a “remove and replace” decision. You may also wish to explore setting up your estate in a state (like Nevada) that recognizes “directed” trusts, said Frank. In this scenario, you could separate investment and administration functions, which could then give your beneficiaries control of, say, the family business.

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## 5. Peace of Mind for You and Your Loved Ones

You want to find a professional trustee who understands your wishes, displays smart decision making and otherwise makes you feel confident your estate is in good hands. Talking through your unique situation with professionals, having them manage assets now and assessing the relationship are all ways to give you peace of mind and help your loved ones in the future.

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