

## CHOOSING A TRUSTEE

Working with clients in the creation or updating of their estate plan very often includes the important choice or substitution of the position of Trustee. Clients may be trying to choose the trustee or trustees between or among their children and / or whether to include a professional trustee. Here are seven considerations when making that very important decision:

1. TEMPERAMENT. While the clients are certain that they want one of their children to serve as a trustee, they are also considering their daughter to whom they feel closest. However, she has been described as emotional, confrontational and dogmatic -- features to avoid in a trustee.
2. COST. Many people fear using a professional trustee -- trust companies, banks, attorneys, accountants -- due to the cost. Professional trustees usually charge between 1.0 and 1.5% of assets under management, the fee decreasing as the trust funds increase. Over time, these costs can add up, but not nearly as much as the cost of bad management.
3. NUMBER. Many clients would be comfortable simply designating a child as the sole trustee but that child may be nervous about what that might do to his relationship with his siblings. Another trustee would allow him to share decision-making and responsibility (and blame, perhaps), as well as the workload. It would also provide redundancy in the event that one of the trustees was unavailable for any reason. While it makes a lot of sense to have more than one trustee, more than three starts to get cumbersome. While any single trustee can act for the trust in terms of writing checks and directing investments, she must be carrying out the decisions made by all of the trustees. Keeping everyone in the loop and making joint decisions all of the time can be difficult if too many people are involved.
4. STABILITY. Many estate planning trusts are designed to be terminated upon the survivor Donor's death, trusts may last a long time. Will the person you appoint be able to provide the necessary attention to the trust for years or decades? Will

they be able to keep up with the often tedious jobs of paying bills, filing tax returns and preparing accounts? Since we can't be certain of the answer to this question if when appointing an institution -- banks get bought and sold, sometimes with ill effect on their trust departments -- the trust must include a mechanism for changing trustees.

5. FINANCIAL ACUMEN. The trustee will need to manage trust investments and spending, taking into consideration the needs and interests of both current and future beneficiaries.
6. ORGANIZATION. In addition to all of the factors mentioned above, at least one of the trustees needs to be very well organized in order to meet all of the trustee responsibilities -- making distributions, providing account statements to beneficiaries, reviewing investments, filing timely tax returns.
7. PERSONAL TOUCH. While cost is one reason many clients avoid using professional trustees, another is fear of working with an institution rather than an individual who personally knows the beneficiaries' situations and needs. This can be especially off-putting if the institution has experienced significant turnover in personnel. There have been cases where a parent chose a local banker to serve as trustee only to have that bank bought by a statewide bank which was bought by a regional bank which, ultimately, was bought by a national bank. In the end, the children were dealing with trust officers in another state. This is another reason it's important for all trusts to have a mechanism for changing trustees.

As you can see, neither the choice of trustee and the chosen person's decision to accept the appointment, should be taken lightly. Each client's decision will be made based on his unique situation, including the available family members and friends, the likely longevity of the trust, the amount of assets under management, and other factors.