WHAT DOES A TRUSTEE DO?

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While the chief goal of a trustee is to execute the grantor's wishes, this must be done with a great deal of thoughtful navigation around the family members' relationships and expectations. In conjunction with this navigation, effective trust management depends on a trustee's skills in four primary areas:

EDUCATION

A good trustee is a good teacher. Trusts are not always simple, and trustees must educate beneficiaries possessing a wide range of understanding and maturity. Trustees must explain the trust provisions and help beneficiaries understand the legacy and intent of the grantor. In many cases, trustees will have to introduce a glossary of new terms, so that beneficiaries will understand the terminology of their trust. They will need to help beneficiaries understand budgets and how trust assets are best used and invested. They also must often introduce future beneficiaries to trust concepts, as appropriate and as requested by the family.

ADMINISTRATION

Trust administration starts with ensuring that all pertinent terms of the trust are adhered to, according to the applicable law. Administration includes maintaining accurate records and reports for beneficiaries; maintaining detailed accounting of distributions, fees, taxes and cost basis for tax filings; and filing and paying taxes on a timely basis, in cooperation with the family's CPA. Trustees must also ensure that trust property is protected and trust expenses are paid. As they are managing all of these duties, they also must keep all interested advisors and parties informed of their actions.

DISTRIBUTION

A significant job of the trustee is calculating and executing the appropriate amount of distributions on an annual basis. In making discretionary distribution decisions, trustees must also consider tax consequences, the needs of the future beneficiaries, and any other parameters set forth in the trust document, such as consideration of the beneficiary's other resources.

INVESTMENT OVERSIGHT

Maintaining the financial health of the trust requires appropriate investment oversight by the trustees. Trustees must ensure that investment decisions are made in accordance with provisions of the trust document; and in the interest of asset protection, they must monitor and evaluate the actions of investment advisors. The designated investment advisors evaluate asset allocation, diversification and risk tolerance, while planning for both current and remainder beneficiaries.

A high performing trustee will be able to manage these four roles seamlessly, in accordance with the intentions of the grantor, the legal requirements of the trust document, and in a manner that honors and supports healthy family dynamics.