

WORKING WITH AN INDEPENDENT TRUST COMPANY: AN ELEMENT OF RIA GROWTH

October 21, 2019



By collaboratively working with an independent trust company in service to common clients, independent RIAs stand to improve client service, strengthen client retention and grow their businesses.

Two recent trends have significantly influenced the wealth management and trust services industries: unprecedented growth in the independent registered investment advisor (RIA) sector and growing popularity of the independent trust company model for delivering trust services.

Breakaway Advisors and Brokers. Motivated by such things as more advisory practice control, greater independence and a better opportunity to build equity in a sustainable business, unprecedented numbers of investment advisors and brokers have fled large financial institutions and wire houses in recent years and joined the RIA sector. That migration wave and the continuing level of RIA consolidation have resulted in explosive growth across the sector. Such growth has increased demand

for reliable, effective trust services from outside providers — for example, financial institutions aren't in the habit of providing stand-alone trust services for their former advisors and clients. Enter the independent trust company.

Emergence of the Independent Trust Company Model. Owing to increased concerns over poor customer service, staff turnover, inflexible trust practices and inherent conflicts of interest with cross-selling, most of which seem to pervade large traditional corporate trustees, the independent trust company model has become prominent. And, considering that TRULY independent trust companies don't manage money¹, there is ample justification for investment advisors to favor this model over a traditional bank trustee model for their clients. But there are three additional practice-based reasons for investment advisors to consider an independent trust company when addressing their clients' trust services needs.

IMPROVED CLIENT SERVICE

An RIA service offering can be substantially improved through the best-in-class services and collaborative approach provided by the right independent trust company. A resourceful and experienced independent trust company that works effectively with clients and their advisors in handling trust distributions, managing trust accounting and reporting, providing oversight of investments, and coordinating interested parties can add significant value to the wealth management services provided by an RIA.

STRENGTHENED CLIENT RETENTION

The relationship among trustee, trustmaker and trust beneficiaries is by its very nature close and long-term. Service-driven independent trust companies are adept at forging enduring relationships with multiple generations of families by educating and supporting them in pursuit of their financial and legacy goals and objectives. As a critical and long-term member of the client's team, the independent trust company plays a material role in supporting the long-term relationship between the client and his or her investment advisor.

¹Under a directed or delegated trust structure, trust asset management and other administration responsibilities are bifurcated, with asset management responsibilities exclusively handled by a third-party advisor, typically a state- or federally-registered investment advisor.

GROWTH THROUGH EXPANDED NETWORK

Effective and reputable independent trust companies invariably develop extensive networks of clients and professionals — financial advisors, attorneys, CPAs, insurance professionals and others. These networks commonly provide fertile referral sources for those seeking or needing the services of an investment advisor. This is in addition to the referrals that will be made by satisfied clients who appreciate the best-in-class team approach.

To learn more about our services as an independent trust company, we invite you to contact us to speak with one of our relationship managers.



*About the author: **Bob Pennington** is Regional Director of Pendleton Square Trust Company, LLC, a Tennessee-chartered independent trust company. Nothing in this article should be construed as providing legal or tax advice regarding your specific situation.*