

BENEFICIARY BEST PRACTICES: TRUST DISTRIBUTION REQUESTS

April 18, 2022



Trust beneficiaries are often granted with the power to request distributions of trust income or principal, at the discretion of the trustee. Whether the trust is newly formed, or the result of a multi-generational structure, beneficiaries can benefit from understanding how they should approach trustees, and corporate trustees in particular, with such requests.

Trustees take their jobs seriously and exercise discretion judiciously. In order to involve multiple perspectives, ensure appropriate diligence and maintain oversight, corporate trustees require discretionary distribution requests to flow through an approval process overseen by a Distribution Committee. The Distribution Committee is comprised of experienced Trust Officers who must be presented with complete and relevant information to effectively evaluate distribution requests.

As a trust beneficiary, your distribution request should contain five key components when submitting the request for consideration:

1. Legal Name of the Trust(s)

The first component of your request should include the legal name of the trust, or trusts, that you are requesting funds to be distributed from.

2. Amount Being Requested

The second component of your request should include how much money you are requesting from the trust. The Distribution Committee will look at the trust's history to evaluate the impact that this request and prior distributions have had on the trust. You may not be the only beneficiary of the trust, presently or in the future, and the trustee has a fiduciary duty of impartiality between all beneficiaries.

3. Reason for Request/General Background Information

The third component of your request should be the reason you are requesting the distribution. It is important to understand the dispositive provisions of your trust, as all trusts can have different distribution language. Many trusts include ascertainable standards, commonly known as HEMS (Health, Education, Maintenance and Support), and restrict the trustee to only make distributions for these causes. Supporting documents (such as invoices, estimates, etc.) are great resources to provide your trustee with relevant background information.

4. Instructions on Where/How to Send Funds

The fourth part of your request should be instructions on where and how to send the funds from the trust to the desired recipient. The trustee can send the funds directly to you, or to a third-party vendor (i.e., Attorney, CPA, home renovation company, etc.) on your behalf, as directed.

5. Timeline of Distribution

The last component of your request should be the timeline of when funds are needed. This includes whether the request is a one-time or recurring request. For all requests, you should specify the date funds are needed, and in the case of a recurring request, you should indicate the frequency of distributions (i.e., bi-weekly, monthly, quarterly, etc.).

BELOW IS AN EXAMPLE DISTRIBUTION REQUEST, INCLUDING THE FIVE KEY COMPONENTS DISCUSSED ABOVE.

Dear Pendleton Square,

I would like to request a one-time distribution from the XYZ Family Trust in the amount of \$5,000 for healthcare related expenses I recently incurred. A copy of the hospital bill is attached with additional details regarding this request. Upon approval, please mail a check, for the full amount of the request, to my address on file. The hospital invoice is due in a few weeks' time, so your prompt consideration of this request is appreciated.

*Sincerely,
Educated Beneficiary*



About the author:

Matthew Donaldson, as a Senior Trust Associate at Pendleton Square Trust Company, LLC, actively supports client trust relationships, participates in business development and coordinates the transfer of new accounts. He is in the process of completing Cannon's Trust School program to earn his Certified Trust and Fiduciary Advisor (CTFA) designation.