

Appointing the right trustee for your living trust provides peace of mind

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A living trust is a cornerstone of many estate plans. During your life, you can serve as the trustee and manage the assets just as you would if you owned them outright. However, you must choose a trustee to oversee and administer the trust after your death (and during your lifetime, should you become unable to act as trustee).

Job description

The trustee must:

- Manage all trust assets, perhaps including securities and business and real estate interests, until they're distributed;
- Maintain detailed records and prepare transaction statements;
- Handle collections, distributions and payments;
- Ensure all tax returns are prepared and filed; and
- Settle the trust.

In addition, the trustee must be available to respond to all inquiries from beneficiaries.

Trustee types to consider

You generally have two types of trustee to choose from. The first is an individual trustee. This person may be a family member or close friend, business advisor, or attorney. A family member or friend may seem like the natural choice because of the likelihood that he or she understands your wishes for your family's future. It's also likely that he or she will charge little or nothing in trustee fees.

But keep in mind that, ideally, a trustee should have financial knowledge, be familiar with taxes and accounting, and have good business sense. So it's essential that individual trustees without professional expertise in managing trusts consult with accountants, attorneys and investment advisors to help them get the job done effectively.

The second type of trustee is a corporate trustee. This typically is a financial institution, bank trust department or trust company. A corporate trustee specializes in managing estates and trusts and generally is free of conflicts of interest, allowing it to carry out its duties impartially.

A corporate trustee usually has direct access to investment advisors, tax planners and other financial experts. Most institutional trustees charge fees based on a percentage of the trust's assets. An institutional trustee also can be beneficial because you don't have to worry about whether the trustee will outlive you.

The hybrid option

In some cases, you can create a hybrid trustee structure by appointing an institution and an individual as co-trustees. The institution provides the professional experience and skills needed to effectively oversee the trust assets, while the individual is someone you're fully confident will ensure that the trust acts in accordance with what your wishes for your family would be.

If you have questions about your trustee options, please contact us.

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