

Protect your peace of mind with a trust protector

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Irrevocable trusts can allow for the smooth, tax-advantaged transfer of wealth to family members. But there's a drawback: When you set up an irrevocable trust, you must relinquish control of the assets placed in it. What you *can* control is who will eventually oversee distribution of the assets after your death. That is, you can appoint the trustee. But if you aren't completely confident that the trustee will carry out your wishes, you might want to appoint a trust protector, too.

Trust protector duties

A trust protector is to a trustee what a corporate board of directors is to a CEO. A trustee manages the trust on a day-to-day basis. The protector oversees the trustee and weighs in on critical decisions, such as the sale of closely held business interests or investment transactions involving large dollar amounts.

There's virtually no limit to the powers you can confer on a trust protector. For example, you can enable a trust protector to replace a trustee, to appoint a successor trustee or a successor trust protector, and to approve or veto investment or beneficiary distribution decisions. He or she can also resolve disputes between trustees and beneficiaries.

A word of warning: Although it may be tempting to provide a protector with a broad range of powers, this can hamper the original trustee's ability to manage the trust efficiently. The idea is to protect the integrity of the trust, not to appoint a co-trustee.

Exercise of discretion

Trust protectors offer many benefits:

- A protector with the power to remove and replace the trustee can do so if the trustee develops a conflict of interest or fails to manage the trust assets in the beneficiaries' best interests.
- A protector with the power to modify the trust's terms can correct mistakes in the trust document or clarify ambiguous language.
- A protector with the power to change the way trust assets are distributed if necessary to achieve your original objectives can help ensure your loved ones are provided for in the way you would have desired.

These are just a few examples of how appointing a trust protector can help ensure your estate planning goals are achieved.

Wise choice

Choosing the right trust protector is critical. Given the power he or she has over your family's wealth, you'll want to choose someone whom you trust and who's qualified to make investment and other financial decisions.

Many people appoint a trusted advisor — such as an accountant, attorney or investment advisor — who may not be able or willing to serve as trustee but who can provide an extra layer of protection by monitoring the trustee's performance. Please contact us if you'd like to learn more about incorporating a trust protector into your estate plan.

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