

## TRUSTEE BASICS (OR, WHO DO YOU TRUST?)

People of all shapes and sizes are establishing trusts. Credit shelter trusts, marital trusts, generation skipping trusts, life insurance trusts, charitable remainder trusts and living trusts, are just a few examples of the types of trusts that are in use today. All of these trusts have at least one thing in common--you need a trustee for all of them. The trustee plays an absolutely critical role in whether the trust will be successful. The question is, who should be the trustee?

Before answering this question, let's take a quick look at trusts. A trust is a written agreement between the grantor (sometimes called a settlor or trustor) and the trustee. Under a trust agreement, the grantor transfers cash and/or assets to the trustee and gives the trustee instructions regarding the distribution of the income and principal of the trust to the beneficiaries. The trustee is a fiduciary who must follow the instructions of the grantor with respect to the investment of trust assets and all distributions.

There are three types of trustees; professional, semi-professional, and amateur. Professional trustees are usually corporations who are engaged in the business of acting as a trustee for hire. Bank trust departments and independent trust companies are the most common examples of professional trustees. Semi-professional trustees are typically professional advisers like attorneys and accountants. These individuals have some, but perhaps not all, of the technical knowledge of a full-time professional trustee. However, they may have a long-standing relationship with the grantor and his/her family.

Amateur trustees include any individual who acts as a trustee on a part-time, infrequent basis. Appointing yourself, your spouse, your child, your brother-in-law the doctor or most other family and non-family members typically means that you have appointed an amateur trustee. No one type of trustee is always right for every situation. Like any other aspect of financial planning, choosing a trustee involves weighing relative advantages and disadvantages and it should be done with the help of a lawyer.

Professional trustees do offer expertise in trust law, income taxes, investments and a variety of other topics that relate to trusts. Professional trustees also have staffs that can provide grantors and beneficiaries with various reporting services. There is very little risk of fraud when dealing with a corporate trustee and a corporate trustee won't die or become incapacitated. Professional trustees can also be expensive. In addition, the quality of service varies widely from institution to institution and even among branches of the same institution.

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