

Eight Questions to Ask Yourself Upon Becoming a Trustee of a Family Trust

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Most people feel honored when they are tapped to serve as trustee of a family trust. It is an important leadership position as well as a powerful role in managing a family's wealth. The trustee also has significant influence over the long-term well being of the beneficiaries. It is a role that is not to be taken lightly. The responsibility is significant, and there's a lot more to the job than meets the eye. A new trustee needs to frankly ask himself or herself the following questions:

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1. **Are you prepared to take legal ownership of all assets of the trust?**
The trustee is recognized as the legal owner and protector of the assets even though the trust is for the benefit of others.
2. **Are you ready to manage the assets of the trust whether they are securities, properties, or businesses?**
Trustees can be responsible for securities, but they also may be the "owner" of real estate, collectibles, or operating businesses that may need critical attention after a benefactor's death, especially if they had been closely managed by the deceased.
3. **Will you know how to implement an investment and distribution approach that serves the best interests of current and future beneficiaries?**
In addition to observing the prudent investor rule, you need to balance the production of current income for distributions against long term growth for the longevity of the trust and future generations.
4. **Are you prepared to report on the value of the trust to the beneficiaries?**
Keeping beneficiaries apprised of the value and contents of the trust, as long as they are of sufficient age, is part of the trustee's fiduciary duty and part of the relationship building process with beneficiaries.
5. **Do you have a means of recording your decisions to demonstrate a defensible thought process in the event something turns out badly and you need to justify your actions?**
In managing a trust, everything will not go perfectly. Markets swoon and investments go sour. Even in a family situation, litigation is all too common. It's critical to have documentation of your decision process to demonstrate a reasonable basis for decisions in the event a defense is necessary.
6. **Do you know enough to educate the beneficiaries on the purpose of the trust and what to expect in terms of distributions and involvement in the business of the trust?**
The trustee is in a critical role of helping shape the attitude of the beneficiaries and helping them reach purposeful adulthood without developing a sense of entitlement.
7. **Will you know how to develop a "best of breed" team of advisors to assist you in fulfilling your obligations as trustee?**
In the multi-year course of a trusteeship, the trustee and beneficiaries will have need for financial and legal advice as well as other counselors, coaches, and advisors. An effective trustee will develop a network of supporting players to be available when needed.
8. **Are you prepared to file all tax returns and other compliance**

obligations?

As might be expected, the annual tax filings and quarterly estimate payments must be made as well as state regulatory filings in some states.

When you are approached to be named trustee, make sure to seek as much education as possible in advance. Talk to your attorney and check out other options to get thorough training for what lies ahead. Remember, a prepared trustee is an effective trustee.

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