

THE WALL STREET JOURNAL.

MAY 19, 2023

When Naming a Trustee for Your Estate, Ask Yourself These Four Questions; Do you pick a friend? A family member? A professional? The right choice can make all the difference for your heirs.

By Cheryl Winokur Munk

Choosing a trustee is one of the most important decisions you can make because of the power that person holds. PHOTO: Sonia Pulido

Estate planning can be complicated, and naming a trustee is one of the trickiest parts.

If you choose a friend or family member, the person must be trustworthy and up to the task. If you choose a professional, there can be cost and other considerations.

Trusts often are used for estates that have significant assets, a complicated financial situation, or when there are minor children, or children or grandchildren with special needs involved. Trusts allow individuals to exercise greater control over how and when their money is disbursed to heirs, even long after they are deceased—rather than leaving money outright to a beneficiary in a will.

Whether you have a living trust—which outlines your wishes for your estate, helps avoid probate and becomes irrevocable after your death—or a trust within a will, picking a trustee is one of the most important decisions you can make because of the power that person holds.

With that in mind, here are four questions to consider:

Does a potential trustee have the financial know-how?

When choosing a trustee, people generally factor in age, the relationship and how close the person is to the eventual heirs, especially if minors are involved. But sometimes little is known about a potential trustee's money-management skills.

Find out, estate-planning attorneys say. Trustees are responsible for making financial decisions related to the assets held in trust. Responsibilities can include investing the money held in

the trust or hiring a professional for that purpose. A trustee could also be responsible for running business interests held in the trust or managing other assets held in trust, such as an apartment building.

Candidates should be willing to serve in the role in a continuing capacity and be able to handle what could be complicated financial duties. It could be a six-month to yearlong commitment if all the trustee needs to do is liquidate assets for the benefit of adult children, says Patrick Simasko, an elder law and estate planning attorney with Simasko Law in Mount Clemens, Mich. But the responsibilities could go on for years, especially if minor children are involved or there are complicated financial situations such as grandchild who will inherit money years down the road, he says.

SHARE YOUR THOUGHTS

What advice do you have for picking a trustee? Join the conversation below.

Parents often decide to name their oldest child as trustee. But a younger sibling might have a more solid financial background. Simasko offers the example of a couple who wanted to name as trustee the oldest son who is in the military and travels around the world. Instead, Simasko recommended their younger daughter, who lived locally, as she would be more available to perform duties such as meet with a real-estate agent and go to the bank to get accounts switched over to her as trustee. "Pick the one that is the best for the job," he says.

Also consider whether the candidate seems prepared if there are large amounts of money in the trust, says Diedre Braverman, principal attorney with Braverman Law Group in Boulder, Colo. A 20-something with few personal assets, for example, isn't likely to have the experience necessary to evaluate financial professionals that might need to be hired.

A good trustee should be

comfortable supervising and working with financial professionals, which can include attorneys, accountants, financial advisers and property managers, Braverman says.

Should I consider co-trustees?

Sometimes people are willing to overlook a lack of experience or a weak skill set because the trustee candidate they have in mind has a good relationship with the heirs, or is particularly close to the family, which can be helpful when making monetary decisions. In those cases, it can be especially helpful to have a co-trustee, possibly a professional trustee, such as a bank or trust company.

Two people acting as co-trustees have to act unanimously, which can be advisable for check-and-balance purposes. A co-trustee can also be advisable for accountability purposes when one trustee is a solo practitioner such as a family attorney or accountant.

Having a co-trustee, however, can be difficult in cases where the parties don't work well together. "If you pick two sisters who can't be in the same room, it is a nightmare to administer the trust," Simasko says. In that case, it might be better to pick an impartial trustee, even if it means hiring a professional. Appointing a "trust protector," someone to supervise the trustee, might also be an option to help guard against misuse of funds, he says.

When should I consider hiring a professional?

There can be many reasons to hire a professional trustee such as a bank or trust company, or a private professional trustee that offers their services full-time. In some cases, a trust can last for about 100 years, or for three generations. Banks or trust companies are in a better position to be able to provide continuity and adjust to changes, says Laurie Israel, a solo practitioner in Plainfield, Mass., who frequently reviews trusts.

Additionally, Israel says, many trusts provide interest and dividends for

THE PUBLISHER'S SALE OF THIS REPRINT DOES NOT CONSTITUTE OR IMPLY ANY ENDORSEMENT OR SPONSORSHIP OF ANY PRODUCT, SERVICE, COMPANY OR ORGANIZATION
CUSTOM REPRINTS (800) 520-4331 P.O. BOX 300 PRINCETON, NJ 08543-0300. DO NOT EDIT OR ALTER REPRINTS, REPRODUCTIONS NOT PERMITTED

D | COW JONES

the surviving spouse, while the remainder of the trust assets go to the ultimate beneficiaries. Often, these marital trusts provide ongoing discretionary principal payments for the health, education, maintenance and support for the surviving spouse, which can conflict with the interests of the ultimate beneficiaries. The latter might want to emphasize preservation and growth of capital. This is the type of conflict that may be best handled by a professional trustee, Israel says.

Another reason to hire a professional is when family conflicts are likely to arise. Simasko offers the example of a heroin addict who incessantly bugged his aunt, the trustee, for money. In situations like this, using a professional can help preserve family relationships while ensuring that distributions are made appropriately, Simasko says. "It's easier for the professional to say no," he says.

Which type of professional should I choose?

Using a bank is generally better for large trusts—around \$5 million and higher. Having dedicated trust administration can offer peace of mind that the estate will be handled appropriately for a long time. Trust companies or private professional fiduciaries may be more appropriate for trusts in the \$1 million to \$5 million range, Braverman says.

Most banks and trust companies generally charge between 0.5% and 2% of the overall value of the trust they are administering, for services such as filing an annual tax return, detailed accounting of everything that goes in and out of the trust, communicating with beneficiaries and investing, Braverman says. Alternatively, banks and trust companies might charge a minimum fee of typically between \$2,500 and \$5,000 to cover their administrative costs.

For reasons that include cost, a private professional fiduciary could be a better option for smaller estates. These professionals typically charge an hourly rate, which can be around \$150 an hour, and investment-management expenses—charged by a third party—are paid for from the trust, Braverman says.

Before choosing a professional trustee, find out how easy they are to reach by phone, Israel says. "You want to find people who you can work with who are accessible."

Cheryl Winokur Munk is a writer in West Orange, N.J. She can be reached at reports@wsj.com.