



A MOMENT OF CLARITY

What is a Trustee? BY MARCIA PALTENSTEIN

A trustee is a person (or company) who has been entrusted by the grantor (the person who created the trust) to carry out the terms of the trust on behalf of the beneficiary. For legal purposes, the trustee is considered the owner of the assets in a trust.

A trust is an entity created by a legal document that holds assets. Trusts are created for a variety of reasons, including protection of assets, transfer of assets, privacy, and tax savings. A trustee is given control or powers of administration over the property in trust and has a legal obligation to administer it solely for the purposes specified in the trust document.

The Responsibilities of a Trustee

Whether the trustee is an individual or a corporation, the responsibilities are the same. A trustee must understand and interpret the terms of the trust and act in the best interest of the beneficiaries. In general, a trustee is responsible for administering (think record keeping, tax reporting etc.), investing, and distributing trust assets. However, a trustee does not have to handle all these responsibilities alone. Trustees are empowered to hire other qualified individuals or corporations to act alongside them as an accountant, attorney, and/or investment advisor. This ability to delegate allows for the division of responsibilities amongst individuals and or companies who have the necessary expertise.

Trustee Considerations

A trustee should be familiar with the intentions of the grantor as well as the needs of the beneficiaries. This will help the trustee when making decisions regarding the investment of assets or distributions to beneficiaries. In some cases the trust language may not be very clear, and knowledge of the grantor and beneficiaries will be extremely important.

The Fiduciary Duty of a Trustee

A trustee is considered a fiduciary, which in simple terms means that they must put the beneficiaries' interests ahead of their own. The fiduciary relationship is one that involves trust and is subject to a higher standard than other types of relationships. A fiduciary has a "duty of care": they must be reasonably informed, act in good faith, exercise rational judgment, and act without the presence of a conflict of interest when making decisions.

Whether you are considering becoming a trustee for a loved one or are deciding who to name as trustee for your own trust, this is a personal decision that requires thoughtful consideration. We recommend reaching out to your Round Table Wealth Advisor to discuss the nuances of the trustee relationship within the context of your personal estate plan when making this important decision.



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