HUIZENGA
LAW FIRM, P.C.

118 Second Street NW | P.O. Box 123
Orange City, IA 51041
(712) 737-3885 | info@huizengalaw.com
www.huizengalaw.com

A CLIENT'S GUIDE TO CHOOSING A TRUSTEE

WHAT IS A TRUSTEE?

A trustee is appointed to manage the property owned by a trust. They are given control over a certain amount of assets and must manage those assets in a way that benefits the a group or individual named by the trust called the beneficiary. The trust document and state laws dictate what a trustee can do and how they do it.

State law imposes a very important standard onto trustees. The standard says that a trustee must manage the assets like a "prudent investor." That means a trustee must consider the interests of every beneficiary. Those interests must be balanced against each other in making investment decisions, choosing tenants, or setting rent.

FACTORS TO CONSIDER

- Accessibility for communication
- Fee requirement & amount
- Effect of outside influence
- Relationship with beneficiaries
- Expreience as a trustee
- Your family's input
- Complexity of the trust's terms

In the end, though, the trustee's most important job is to make sure the terms of the trust document are carried out. In addition, the trustee must keep accurate books, file the appropriate tax documents, and may be required to report these activities to the beneficiaries depending on which state law applies.

HOW DO I CHOOSE?

Technically, you can choose any person or entity to act as your trustee. Your brother, banker, and barista are all potential trustees. However, not everyone is a good choice. Put another way, the master of your triple, venti, decaf, nonfat, with-whip, sugar-free, caramel macchiato probably shouldn't be the person preparing 1099s for your beneficiaries.

A grantor typically appoints a family member, like a spouse, sibling or trust, as trustee. If they don't choose a family member, they pick a trust company or bank.

Read on to learn a bit about the benefits and drawbacks of each option.

FAMILY ACCESS

Appointing a family member as trustee can be an efficient choice for several reasons. A family member might also be a beneficiary, making it easy to determine how a particular action will affect the beneficiaries. A family member could also be more likely to consider the input of the beneficiaries when making certain decisions regarding the trust's property. Unfortunately, this also means that a family member might favor the input of one beneficiary over another or might treat an estranged relative differently from the others.

CORPORATE DETACHMENT

A corporate trustee comes with none of these complications. Your corporate trustee will be less susceptible to the pressures of family politics and will be more likely to be completely fair when distributions are made. A corporate trustee will also be better equipped to keep books that are 100% accurate. However, a corporate trustee might be less available for phone or in-person conversations. Finally, a corporate trustee will probably be less willing to discuss their decisions with the beneficiaries, particularly where large trust assets are involved. Instead, they will rely exclusively on the trust document to guide their decisions.

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