



A trust representative office of National Advisors Trust Company, FSB

Monthly Update for Administration of Trusts from a Trust Administrator's Perspective.

It is our hope that our Monthly Update will be helpful to you and your clients to better understand the administration of trusts from a Trustee's viewpoint.

October, 2016

SO WHAT DOES A SUCCESSOR TRUSTEE INITIALLY DO?

Typically, a Grantor(s) of a trust also serves as the Trustee(s) during his or her lifetime. Typically, Grantors are also the beneficiaries, so the Grantors are managing their assets for their own benefit. But what should happen when someone other than a Grantor takes over as Trustee?

Regardless of whether the Successor Trustee is a corporate Trustee or is an individual Trustee, there are many things that the Successor Trustee should initially do.

First and foremost, there is no "one-size-fits-all" way of managing every type of trust. Without limiting the broad spectrum of what a Successor Trustee should do based upon the unique circumstances of the actual trust for which the Successor Trustee is serving, a Successor Trustee should, in no particular order, do the following:

- Gather and secure the trust assets. (Necessary for several reasons, including to help avoid theft, embezzlement, conversion, etc.)
- Review the assets to determine if any trust asset needs to be liquidated or sold. (Many times assets can be rapidly depreciating in value, or can pose an unnecessary risk of liability to the trust and other trust assets, etc.)
- Sometimes appraisals are necessary so that the tax basis can be established and documented for future tax reporting purposes, etc.
- The Trustee should carefully review the trust agreement and all amendments, if any, to determine if

there are any specific distributions that are required to be made as per the terms of the trust. Sometimes those specific distributions are in kind, other times they are in cash.

- Sometimes Grantors leave a "Directive to Trustee", which is not necessarily an amendment, but is a separate document instructing the Trustee to make specific distributions of items which frequently have sentimental or heirloom value.
- Sometimes Grantors instruct the Trustees to take action with the trust assets upon the Grantor's death, such as liquidation of specific assets, or perhaps a specific instruction to not liquidate a specific asset.
- The Trustee will also determine whether the trust instructs the Successor Trustee to distribute the trust assets to the beneficiaries as soon as possible, or whether some or all of the trust assets are to remain in trust under the terms of the trust agreement. This is particularly essential when the beneficiaries are minors, have special needs, or for beneficiaries who are adults, but, for a variety of possible reasons, the Grantor instructed that those particular assets remain in trust for the benefit of the adult beneficiary.
- The trustee will schedule a meeting with the adult beneficiaries and the guardians of the minor beneficiaries to discuss the terms of the trust, the investments and the beneficiaries' rights to distributions under the trust agreement.
- Depending upon the beneficiaries' rights to receive income and/or principal distributions from the

trust, the Trustee should also structure the investment portfolio accordingly.

RECOMMENDATION

We recommend that you review the terms of your trust regarding how, when and under what circumstances the trust assets are to be distributed to your beneficiaries. While reviewing your trust, consider who you have appointed to be your Successor Trustee and whether or not the appointment of that person(s) is the best choice you can make for you and your family. As a courtesy to those with trusts, and while we do not offer legal advice, at no cost or obligation to you, we would be happy to review your trust with you to give you a trustee's perspective of how your trust would be administered upon your death.

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WealthTrust Oklahoma is the Oklahoma Trust representative office of National Advisors Trust Company, FSB, which currently has more than \$9 billion under administration. We hold a federal charter and are independent.

WealthTrust Oklahoma

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