

Essential Decisions: Choosing the Right Trustee



When it comes to planning for the future, there is a decision to be made that is just as important, if not more important, than who gets what.

That decision? Who you will select to represent your interests, maximize and protect your assets, and distribute everything according to your wishes.

That's why it's vital to understand the role of a trustee—whether you already have a trust or are just beginning your estate planning process.

KNOWLEDGE IS POWER

Choosing a trustee isn't as simple as you might imagine. The trustee needs to be qualified, knowledgeable, and committed; their actions will have a lasting impact.

1. Consider the options:



Individual Trustee.

Some choose a relative or friend, thinking it's a person they can trust and that it's an honor to ask them.



Professional Trustee.

Many don't realize that there are trustees that have been professionally educated and trained for this role.

2. Then, consider the benefits and drawbacks of those choices:

Neutrality. An individual trustee may know the family's history and dynamics. However, it may be more difficult for that person to act objectively, without letting emotions affect their actions. This becomes even more challenging, and a potential conflict of interest, when the individual trustee is also a beneficiary, meaning they are making distributions to themselves as well as others. A professional trustee serves as a neutral party and avoids any potential favoritism or subjectivity.

Expertise. An individual trustee may not have any experience managing a trust in general, or with the specific tasks involved (think tax expert, property manager, investment advisor). A professional trustee—with decades of experience and an in-house team of experts—is prepared to handle all aspects of the trust, from the financial details to the perspective and emotional responses of those involved in creating and/or benefitting from the trust.

Consistent Presence. An individual trustee may be busy with their own life and family. They may resign, die, move away, or tire of serving as trustee and neglect the trust and its needs. A professional trustee is there exclusively to ensure ongoing, high-level service.

Checks and Balances. A professional trustee is audited. Regulated. Bonded. Insured. An individual trustee offers none of those protections.

Regular Communications. A quality professional trustee provides regular communications to keep all beneficiaries informed. An individual trustee may not provide information that is as thorough or as consistent.

Costs and Value. Many people presume that a professional trustee will be expensive. While there are costs for a professional trustee, individual trustees are also allowed to charge for their time. In addition, while the professional trustee has a team of in-house experts, an individual trustee would need to seek out and hire outside services for tasks they can't manage. A professional trustee may actually be a more cost-efficient and effective solution.



An alternative to consider

If you appreciate the value of a professional trustee's expertise and continuity but still want a family member involved to maintain a personal connection, there is an option to name the bank and the family member as co-trustees. This lets the professional trustee handle the bulk of the financial and administrative tasks, lessening the burden on your family while retaining the family's insights as decisions are made.

A note of caution

While you may encounter professional individuals offering to serve as your trustee, in Michigan, they only qualify as a professional trustee if they are a bank with trust powers. If they don't meet that criteria, they would actually be serving as an individual trustee—without the protection of regulated audits, insurance, and more.

An informed decision

Choosing a trustee ranks high on the list of important decisions to be made—like selecting a medical specialist or choosing an investment advisor. An informed decision will ensure that you have the protection and controls that matter the most to you, bringing you peace of mind.



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This summary is provided for information only; please contact your attorney for specific legal advice and contact Credit Union Trust for more information on the role of the trustee.