

A Guide for Investment Advisors

10 Essentials to Look for in a Trust Company Partner

Introduction

Evaluating and selecting a trust company to partner with your investment advisory firm requires meticulous consideration. The trust company you choose directly impacts your firm's reputation and future success. Since you will entrust your most important clients with the trust company, you need to carefully assess their experience and evaluate how well they understand your clients' needs. You should also carefully examine their working style and overall vision to ensure their business practices align with yours.

In this eBook, we explore the 10 essential attributes you need to look for when evaluating potential trust company partners, providing insights and questions to help guide your selection process.

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Independence - No Conflicts of Interest

When evaluating a trust company, prioritize independence. Independence ensures decisions are made solely in the best interest of clients and is a cornerstone of good trust administration. Large bank trust companies often suffer from conflicts between what is in the best interest of the trust and what is most profitable for their firm.

Independent trust companies are non-depository, which means they don't manage any assets themselves. Instead, they work with third-party investment advisors to manage the assets of the trust. By separating the investment management from the trust administration, you eliminate all conflicts of interest and profit motivations. This safeguards clients and ensures unbiased trust administration.

What to ask

- Who owns the trust company?
- Do they own or have any interests in an investment advisory business?
- How does the company maintain independence in decision-making?
- Can they provide examples of instances where their independence has benefited clients?
- What measures are in place to mitigate conflicts of interest?

Collaboration with You and Your Clients



Good collaboration between your firm, the trust company, and your clients is essential for effective trust administration. Choose a trust company that values open communication and collaboration and offers a seamless integration of services to meet your clients' needs, including estate planning, legal services, tax advice, and other related matters. A collaborative approach ensures that all stakeholders are aligned and working towards common goals and looking out for your clients' best interests, enhancing trust administration efficiency and effectiveness.

To ensure your clients receive the best possible customer service, assess the trust company's experience collaborating with clients like yours. Their representatives must have the experience, expertise, and even the right personalities to work well with your clients.

What to ask

- How does the company foster collaboration with external advisors?
- Can they provide examples of successful collaborations with other firms?
- How do they ensure open communication channels between all parties involved?
- How often do they train their staff to work directly with clients?



Legal expertise is required to navigate the complex landscape of trust laws and regulations. When evaluating a trust company, prioritize firms with experienced trust attorneys on staff who have in-depth knowledge of trust administration and estate planning across various trust situations.

Trust attorneys play a crucial role in drafting trust documents, ensuring compliance with legal requirements, and providing guidance on complex legal matters. Trust officers with sound legal backgrounds can offer feedback to their clients' attorneys when reviewing trust documents for prospective new clients. Because trust officers work with many different attorneys across different jurisdictions, they are exposed to various trust situations that the attorney drafting the documents may not have seen or thought about.

What to ask

- What qualifications and experience do the trust officers possess?
- How do the trust officers stay updated on changes in trust laws and regulations?
- Can they provide examples of legal challenges they've successfully navigated for clients with help from outside attorneys?



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Fixed Fees for Transparency

A clear and transparent trust administration fee structure is essential to ensure clients understand the costs associated with their trusts. Choose a trust company that charges fixed fees, providing predictable costs to your clients.

Fixed fees eliminate the uncertainty of fees tied to the fluctuating market value of the underlying trust assets. Since the trust company is providing a fixed administrative service that is uncorrelated to ups and downs in the value of the underlying trust assets managed by an outside investment advisor, compensation based on a fixed fee makes the most sense. Fixed fees also ensure independent and impartial trust administration because the trust company is not compensated by sales or broker commissions.

What to ask

- How are fees determined and communicated to clients?
- Are there any additional fees or hidden charges to be aware of?
- Can they provide a breakdown of their fee structure and services included?



Trust companies need to manage both fiduciary and regulatory risk. Technology plays a crucial role in mitigating these risks as well as providing the end client with a user-friendly experience. Choose a trust company that leverages cutting-edge technology platforms for streamlined trust administration. Advanced technology solutions automate routine tasks and reduce manual errors, enhancing efficiency and improving client experiences. Advanced technology also provides real-time access to trust information, empowering clients to stay informed and engaged.

Note that if a trust company is able to bring technology to bare, it allows them to be highly efficient. This enables trust officers to spend more time getting to know their clients and what their underlying issues are instead of shuffling papers and managing manual approval processes back in the office.

What to ask

- What technology platforms does the company utilize for trust administration?
- How do these platforms enhance efficiency and client experience?
- Can they provide a demo of their technology solutions?



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Chartered in a Favorable Jurisdiction

The jurisdiction in which a trust company is chartered can significantly impact trust administration and tax planning. Favorable jurisdictions offer advantages such as asset protection, tax efficiency, and flexibility in trust structuring, providing clients with optimal wealth preservation strategies. Consider a trust company chartered in a jurisdiction with favorable trust laws and tax benefits, such as South Dakota.

South Dakota has the nation's most progressive trust laws, with no state income or capital gains tax, unbeatable asset protection, unsurpassed privacy, and decanting statutes to move trusts easily from other states.

South Dakota's directed trusts statutes allow clients to maintain control over their trust assets by separating the trustee's responsibilities between administration, investment management, distribution, and oversight.

What to ask

- What advantages does the company's jurisdiction offer in terms of trust laws and tax benefits?
- How do they ensure compliance with regulatory requirements in different jurisdictions?
- Can they provide examples of successful trust structures implemented in their jurisdiction?



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Investment Oversight for Prudent Management

Prudent investment oversight is critical for safeguarding trust assets and maximizing investment returns. Choose a trust company that employs rigorous investment monitoring processes to ensure optimal asset management.

Effective investment oversight involves selecting and monitoring investment advisors, diversifying investment portfolios, and regularly reviewing performance against defined benchmarks. Advisor performance should be evaluated on a monthly, quarterly, and yearly basis and measured on both an absolute and relative basis to a portfolio's index.

Make sure the trust company provides complete transparency to your clients with unlimited access to their trust accounts so they can check daily balances and monitor their performance. The advantage of working with a non-depository trust company is that the tasks of investment management and trust administration are bifurcated to avoid conflicts of interest. This gives the investment advisor comfort in knowing that the independent trust company is not going to compete with them for investment management services.

What to ask

- How does the company select and monitor investment advisors?
- What criteria are used to evaluate investment performance?
- Can they provide examples of successful investment strategies implemented for trust clients?
- Does the trust company provide any investment services of its own?
- Is the trust company agnostic as to the custodian that is used?



Deep Industry Experience and Record of Success

Experience is a testament to a trust company's expertise and reliability in trust administration. Seek a trust company with a long record of success and deep industry experience handling complex trust structures and serving diverse client needs.

Trust companies with extensive experience have encountered various challenges and have developed effective strategies to address them. They have navigated unprecedented market shocks such as the 2008 financial crisis and Covid-19, and they know how to analyze, plan, and act to safeguard their clients' assets. Their years of success through challenging markets provide clients with peace of mind and confidence in their services.

What to ask

- How long has the company been in business?
- How long do they retain clients?
- Can they provide case studies or testimonials from satisfied clients?
- How do they stay ahead of industry trends and best practices?
- How many trusts does each trust officer administer?



Partnerships with ancillary service providers enhance the breadth of offerings for your clients, providing comprehensive support for their financial needs. Look for a trust company that collaborates with attorneys, RIAs, and other professionals to offer integrated wealth management solutions.

Strategic partnerships allow clients to access a wide range of services including legal, tax, financial planning, and investment management. This ensures holistic and coordinated advice and saves time and resources, since everyone is fully versed in each client's trust.

What to ask

- What partnerships does the company have with ancillary service providers?
- How do these partnerships benefit clients?
- Can they provide examples of successful collaborations with other firms?

Responsive client support is crucial for building trust and ensuring a positive client experience. Great customer care within the trust industry is the combination of a company culture that has its clients' interests at heart and not overloading a trust officer with too many trusts to administer.

Select a trust company that offers timely and accessible resources for addressing client questions and needs. Make sure your clients can talk directly to a trust officer, not a digital assistant or call center. Responsive support involves providing timely responses to client inquiries, offering personalized guidance and assistance, and proactively addressing client concerns. Return calls should occur in hours, not days, and should involve someone who understands the client's trust and concerns.

What to ask

- What channels are available for clients to reach out for support?
- What is the company's average response time to client inquiries?
- Can they provide examples of instances where they have gone above and beyond to meet client needs?

Partnering with an Independent Trustee

As generational wealth shifts from the aging population, it's critical for investment advisors to add trusts to client wealth-building and preservation strategies.

Trust administration can be complex – requiring highly specialized knowledge and experience, and today's savvy investment advisors are partnering with firms that administer their clients' trusts. This synergy adds a layer of connection to client relationships – extending to family members who will play a crucial role in assuring your tenure with the family.

The great wealth transfer poses both a threat and opportunity to advisors. Trusts reinforce your practice's sustainability as the massive transfer of assets pass from one generation to another.

Think of it as a way to maintain continuity far into the future with your client families. And think of Sterling Trustees as your independent partner in accomplishing this goal.

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Sterling Trustees is an independent corporate trustee serving high net worth and ultra-high net worth families across the globe. A South Dakota-chartered trust company, Sterling has over \$9 billion in assets under administration. South Dakota boasts one of the most progressive trust laws in the United States – giving your clients benefits not offered in many states.

Sterling's primary role is to administer the trust for the grantor. That means we don't manage money – and our income comes solely from fixed fees. So, we function free of any conflicts. Working along with the grantor's investment advisors, attorneys and accountants, we serve as an objective team member, helping guide the smooth execution of your clients' trust.

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