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Family Trust Mistakes: How Relying on Relatives Devastates Your Fortune and Tears Your Family Apart

Is the trustee for your family trust your sibling, cousin, uncle, or other relative? If so, you are not alone. Many families appoint relatives as trustees because — as family members — they have a deep understanding of family dynamics, established values, and critical preferences.

Most people also feel that a relative will always have the best interests of the family in mind — but sadly, this is not always the case. While family members typically accept the role of trustee with the purest intentions, sudden wealth often leads to greed. This leads to biased decision-making, ethical breaches, conflicts of interest, and other issues that can destroy your family legacy — and your relationships. In addition, most family members do not have the legal, financial and tax knowledge to do the job effectively.

Think this couldn't happen to you?

That was exactly what happened to one [wealthy heiress](#) whose family made their money running a multibillion-dollar retail empire. Unfortunately, relying on her family members to manage her trust proved to be a mistake of epic proportions.

Let's take a look at what went wrong — and how you can avoid an equally disastrous result.

Greed Overtakes Ethical Decision-Making

The heiress, with \$80 million in assets, appointed her two grandsons as trustees. She also let them manage her fortune through their financial advisor jobs at a leading investment banking firm. This created a conflict of interest that allowed the heiress's grandsons to easily exploit her. She realized something was wrong when account statements started to go missing, and it came to light that financial documents had been shredded to avoid scrutiny.

An independent analysis of her accounts confirmed that her grandsons had made several high-risk investments leading to losses of over \$10 million in the trust — including hundreds of thousands of dollars in commissions for themselves and the investment banking firm.

The Heiress Fights for Justice

At 93 years old, the heiress went to court to fight for her financial freedom and protect what was left of her fortune. While she was awarded \$19 million in damages, the monetary compensation was hollow because the ordeal destroyed her family. Ironically, if her grandsons had ethically managed her trust and responsibly invested the assets, they would have inherited much more than the commissions they earned through the mismanagement.

Preserve Your Trust and Relationships with a Third-Party Trustee

The good news is that avoiding a debacle like this is easy with the simple appointment of an independent trust company instead of a family member. Independent trust companies such as Sterling Trustees act purely as trustees and don't manage any assets themselves. They delegate investment management to best-of-breed investment advisors, separating the trusteeship from the management of the trust's underlying assets. This avoids conflicts of interest, eliminates a debacle like the one above, and ensures your family's trust is expertly administered.

What Are the Benefits of Using an Independent Corporate Trustee?

- **Objectivity** – An independent trust company such as Sterling Trustees ensures decisions are made without biases and are in the best interest of all family members.
- **Specialized knowledge and expertise** – Professional trustees have the legal, tax, and financial expertise required to administer even the most complex trusts.
- **Compliant trust administration** – An independent trust company ensures your trust is administered in compliance with all relevant legal and regulatory requirements.
- **Proper succession planning** – If the original trustee cannot continue, a professional trustee will have succession plans in place so there are no costly delays.


Trust Sterling Trustees

Sterling Trustees has been administering family trusts for over 15 years. Because the firm is not compensated by commissions or finder's fees, they are completely objective and equipped to do what's in the best interest of all family members. Sterling is also a [South Dakota-chartered trust company](#). South Dakota has the most progressive trust laws in the U.S., and Sterling can help you leverage them.

[Contact us](#) to learn more about how Sterling's trust administration services can benefit your family.

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