Trust Management vs Wealth Management

Trust- *a financial tool that can benefit anyone who wants control over how they leave their estate to their heirs. It's a set of legal documents that give beneficiaries ownership of different assets, including cash investments and life insurance policies.*

Trusts help individuals:

- Decide who will get a portion of their assets.
- Provide guidelines for how those assets should be passed on
- help individuals avoid the costs that go along with probating a will or going through the courts to transfer wealth.

Trustor / Grantor- The original owner of the assets within a trust.

Trustee- The person who's responsible for making sure that the trustor's wishes are carried out according to their instructions.

Beneficiaries- the person or people who receive the assets are known

While there are many different types of trusts, they generally fall into two different categories: **testamentary trusts and living trusts.**

A living trust is established during someone's lifetime. A testamentary trust is written into someone's will and is only established following the trustor's death.

Living trusts can be **revocable** trusts or **irrevocable** trusts.

Revocable living trusts: let grantors retain control of their assets and make changes at any time.

Irrevocable living trusts, on the other hand, become binding agreements once they're executed and they can only be altered when the beneficiaries want to make adjustments to the terms and conditions.

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Other types of trusts offer specific tax benefits. **Generation-skipping trusts (or dynasty trusts**)- make it easy for trustors to pass tax-free money to grandchildren and other beneficiaries who are at least two generations below them. Once the value of the assets in their will exceeds the estate-tax exemption, a ***trustor*** with a credit shelter trust can pass the rest of their wealth on to their spouse tax-free.

Kiss Trust- an inexpensive alternative to the traditional trust and the minimum initial deposit is relatively low. You can decide how the funds in the trust will be invested and multiple people can contribute to a trust for a particular beneficiary.

Tips & Things to Think About:

Before setting up a trust, make sure that it can meet your needs. Familiarize yourself with state's trust-related laws. *A financial expert and an estate planning attorney can make sure that your trusts are properly structured and your assets are protected.*

Generation-skipping Trust- one of the cleanest ways to give money directly to your grandchildren without having that money go through their parents (your children) first. ***This is also a way to pay the estate or inheritance tax just once.***

- ➢ *It's a legally binding trust that skips your kids and passes directly to their kids, your grandchildren. The money in this trust is never officially owned by the generation it is skipping — it passes directly to the following generation instead.*
- ➢ Blood relation is not necessary for a generation-skipping trust to work.
- ➢ You can *designate anyone who is* ***at least 37.5 younger*** *than* you
- ➢ who also isn't your spouse or ex-spouse

The federal estate tax threshold for 2022 is $12.06 million. Some states also have their own estate taxes that generally, but not always, come with lower thresholds than the federal tax. These taxes apply to estates before any money is inherited. Some states also have inheritance taxes, applied after the money has been inherited. There is no federal inheritance tax.

By using a generation-skipping trust, you are essentially avoiding one round of the state inheritance tax. Think about it this way — if you pass your money to your kids, it could be subject to estate *or inheritance tax*. Years from now, when your kids die and pass the money on to their children, if your family still has enough money to have to pay the estate tax, the money will be taxed again. *By using a generation-skipping trust, the money isn't taxed when the second generation in this scenario dies.*

A generation-skipping trust is a complicated legal entity which stipulates how and when the money is to pass to the next generation.
The money is then essentially put into escrow and is owned by the trust
only released by the executor of that trust (typically a financial advisor or lawyer).
A generation-skipping trust is

- useful tool for those with especially large estates.
- It allows you to give money directly to younger friends or family members
  - saving your family some estate tax payments down the line.

Trustee vs. Executor: What's the Difference?

A **Trustee** manages a trust and the assets inside,

- Trustees are especially important when the assets in the trust are being held for a minor who's set to receive the assets inside the trust once they reach a specific age.
- The trustee has a legal responsibility to act in the best interest of the eventual beneficiaries of the assets in the trust. This means making the smartest investments, not taking unnecessary risks and doing anything else that will lead to the best results for them.

An **Executor** is responsible for fulfilling the deceased's wishes and distributing property and assets as proscribed.

- An executor is the person who makes sure that a recently deceased person's wishes – as expressed in a will – are carried out.
- They make sure that the correct assets are passed on to the right family and friends.
- Finally, the executor has to settle any debts the estate has. This includes credit cards, mortgages and any other loans the person still owed when they died.
- Finally, the executor has to settle any debts the estate has. This includes credit cards, mortgages and any other loans the person still owed when they died.

*Choosing **Trustees** and an **Executor** are among the most important.* For both, you'll want to pick someone you explicitly trust. A trustee should be someone who's willing to manage the trust for as long as necessary. In addition, you should trust their ability to make decisions in the best interest of the beneficiaries.

For an **executor,** the right choice is someone who you know will make sure your wishes are respected. While you'll likely be leaving a will with detailed instructions, it may even make sense to talk with your executor before you die so they are clear on your wishes. This can help ensure your needs are carried out exactly how you envision them.

A **trustee** is the person who manages a trust on behalf of a beneficiary. They are legally obligated to always manage the assets in the best interest of said beneficiary. An executor, on the other hand, is responsible for carrying out the wishes of a recently deceased person. This includes distributing assets and fulfilling any debts incurred while the person was alive.

Both executors and trustees are equally important to the entities that they represent. They are each also central parts to many people's estate plans, which is one of the last marks you'll leave on your family. In turn, make sure your selection process for them is as complete as possible.

Trust Management & Wealth Management

What Is a Trust Company?

A Trust company is an entity that serves as an agent or trustee to either a personal or business trust on behalf of a Trust

- A Trust company will manage the trust and oversee the eventual transfer of assets to beneficiaries.
- can be either stand-alone entities or divisions of commercial banks.

Trust Management vs Wealth Management

- ➢ as part of your estate planning process, a trust company can likely help by serving as trustee.
- ➢ Consider working with a financial advisor as you do estate planning.

Trust companies aren't limited to trust management. They can manage:

- Estates
- Custodial arrangements
- Trusts.
- Wealth Management
- Asset Management
- Brokerage & Financial Planning Services

*As **Fiduciaries**, they have a legal mandate to act in the best interest of their clients at all times.*

Breaking Down What Trust Companies Do

- Trust companies can handle the day-to-day operations of managing trusts.
- Act as trustees for all kinds of trusts: Testamentary trusts to Charitable remainder
- Be named successor trustee for living trusts.
- Handle estate settlement
- Oversee the process of distributing assets to beneficiaries
- Perform traditional wealth management and asset management services in their capacity as trustees or agents.
- Handle stock transfers and beneficial ownership registration
- perform brokerage services

The difference between Trust companies and Financial advisory firms is partially concrete and partially conceptual.

- Concretely, trust companies often provide a broader range of services than a financial advisory firm.
- Can help you manage the daily operations and maintenance of trusts and estates.

Trust Management vs Wealth Management

Financial advisory firms offer more services that relate specifically to financial planning. This could include education planning, charitable giving planning, insurance planning and more.

Conceptually, a trust company's first priority is the management of the trust.
A ***Financial Advisor's*** *priority is achieving the best return for your portfolio.* If you're out to grow your wealth or engage in in-depth financial planning, you may be best suited for a financial advisor. If you're looking to set up future generations and ***maintain*** the wealth you already have, a trust company may be a good fit.

Why Use a Trust Company?

One of the biggest selling points of a trust company is the wide range of services they offer at once.

By using a trust company, you can leave behind having to coordinate between your financial planner, your broker and your tax consultant. With all of that taking place under one roof, there's plenty of potential for greater efficiency. *Plus, trust companies are* ***fiduciaries,*** *so you don't need to worry about anyone taking advantage of you.*

Another positive that comes with trust companies is how many of them are out there. Just about every major bank has a trust department, so you won't have to worry about driving several hours to get there.

Finally, trust companies can also serve as alternatives for preventing family disputes that may arise with one family member acting as sole trustee. If there's any concern that granting one family member trustee power could lead to arguments or drama, letting a trust company take the reins could be an easy fix.

- Creating a trust for your estate plan is a good way to avoid the probate process. Here's a guide to the different types of trusts you can create.

1. Hiring an Advisor Who Is Not a Fiduciary

Trust Management vs Wealth Management

By definition, a fiduciary is an individual who is ethically bound to act in another person's best interest. Fiduciary financial advisors must avoid conflicts of interest and disclose any potential conflicts of interest to clients.

2. Hiring the First Advisor You Meet

While it's tempting to hire the advisor closest to home or the first advisor in the yellow pages, this decision requires more time. Take the time to interview at least a few advisors before picking the best match for you.

3. Choosing an Advisor with the Wrong Specialty

Some financial advisors **specialize in retirement planning**, while others are best for business owners or those with a high net worth. Some might be best for young professionals starting a family. Be sure to understand an advisor's strengths and weaknesses - before signing the dotted line.

4. Picking an Advisor with an Incompatible Strategy

Each advisor has a unique strategy. Some advisors may suggest aggressive investments, while others are more conservative. If you prefer to go all in on stocks, an advisor that prefers bonds and index funds is not a great match for your style.

5. Not Asking about Credentials

To give investment advice, **financial advisors** are required to pass a test. Ask your advisor about their licenses, tests, and credentials. Financial advisors tests include the Series 7, and Series 66 or Series 65. Some advisors go a step further and become a Certified Financial Planner, or CFP.

6. Not Understanding How They are Paid

Some advisors are "fee only" and charge you a flat rate no matter what. Others charge a percentage of your assets under management. Some advisors are paid commissions by mutual funds, a serious conflict of interest. If the advisor earns more by ignoring your best interests, do not hire them.

7. Not Hiring a Vetted Advisor

Chances are, there are several highly qualified financial advisors in your town. However, it can seem daunting to choose one.

Resources & References:

- https://smartasset.com/financial-advisor/
- https://smartasset.com/estate-planning/
- https://smartasset.com/estate-planning/trustee-vs-executor

Top 50 Family Offices Ranked by Assets Under Advisement These are Trust Companies

1.HSBC Private Wealth Solutions Hong Kong - included are families with minimum assets of $50 million
2 Northern Trust United States
3 Bessemer Trust United States
4 BNY Mellon Wealth Management United States
5 Pictet Switzerland
6 UBS Global Family Office* No minimum; depends on what client wants as services
7 CTC Consulting | Harris my CFO (BMO Financial) United States
8 Abbot Downing (Wells Fargo) United States
9 Bank of America Private Bank United States
10 Wilmington Trust (M&T Bank) United States
11 Hawthorn (PNC Financial) United States

12 Rockefeller & Co. United States
13 Glenmede United States Ultra High Net Worth

14 Atlantic Trust (CIBC) United States
15 Gen Spring Family Offices (affiliate of SunTrust Banks) **United States 16 Veritable United States
17 Silvercrest Asset Management United States
18 Oxford Financial Group United States
19 Whittier Trust United States
20 Commerce Family Office United States No minimum
21 ATAG Private & Corporate Services Switzerland (Bloomberg ranked family offices based on assets under advisement (AUA).

The list was assembled via a survey of more than 1,000 firms worldwide, using a database of contacts obtained from Portland, Oregon-based FamilyOffices.com. Bloomberg received responses from 118 firms. Single-family offices were excluded. Family offices that were part of private banks were included if the bank has a unit that offers direct and comprehensive investment and noninvestment services to high-net-worth families. For nonbank family offices, AUA included wealth directly managed by the offices and funds outsourced to money management firms. Money managed for private foundations was included. Money managed for pension funds was excluded. Insurance policies and trusts on which advice is provided were included. The ranked firms provide both investment and noninvestment services. The latter may include family meetings, financial education, art consulting, estate planning, family governance, foundation management, business consulting, property management, travel arrangements and shopping assistance.)

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22 Tiedemann Wealth Management United States
23 TAG Associates United States
24 Spudy & Co. Family Office Germany
25 Bedrock Switzerland
26 BBR Partners United States

27 1875 Finance Switzerland

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28 Bollard Group United States
29 FS Finance Suisse Switzerland
30 Laird Norton Wealth Management United States
31 myCIO Wealth Partners United States
32 Ascent Private Capital Management (U.S. Bancorp) United States
33Ballentine Partners United States
34 Constellation Wealth Advisors United States
35 Athena Capital Advisors United States
36 Baker Street Advisors United States
37 Synovus Family Asset Management United States
38 Federal Street Advisors United States
39 Clarfeld Wealth Strategists & Financial Confidantes United States
40 Gresham Partners United States
41 Presidio Group United States
42 Aspiriant United States Families requiring the suite of family office services have $40M+ portfolio
43 Tolleson Wealth Management United States
44 Marcuard Family Office Switzerland
45 St. Louis Trust United States
46 Signature United States
47 SandAire United Kingdom
48 Vogel Consulting United States
49 CV Advisors United States
50 Matter Family Office United States