

The background of the entire page is a photograph of a person in a grey suit jacket sitting at a wooden desk, writing on a document with a black pen. The person's hands and the pen are in focus. The background is slightly blurred. The logo for Strategic Financial Group is centered at the top in a white box on a black background. The text 'STRATEGIC FINANCIAL GROUP' is in a large, bold, sans-serif font, and 'PRIVATE TRUST SERVICES' is in a smaller, all-caps, sans-serif font below it, separated by a thin white horizontal line. The top corners of the page are decorated with blue squares containing a repeating pattern of small white question marks.

STRATEGIC
FINANCIAL GROUP
PRIVATE TRUST SERVICES

CHOOSING THE RIGHT EXECUTOR TRUSTEE

TRUST CONNECTION CLIENT INSIGHTS

A Monthly Report on
Trust News and Information

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Selecting the right executor or trustee is a big decision facing those who are creating an estate plan. Putting some thoughtful consideration into the choice can make all the difference regarding the success or failure of the plan and how the beneficiaries feel about it. Choosing an executor or trustee is often not considered deeply enough; some of the key decision-making factors are explored below.

Finding the right executor or trustee to handle your life savings for the people most precious to you is a big deal. All too often, that selection is made with little regard, merely because the individual is deemed capable and with the notion that naming someone to be an executor or trustee is bestowing an honor upon them. We generally screen the person we choose to spend our life with more care than the person who will handle the fruits of that life together. No qualifications are required to do the job, just a willingness to act; no licensing, no certifications, and no

educational requirements are needed to serve as an executor or trustee. Yet would those requirements be considered if someone was hiring for an actual job? One would hope so.

Individual, professional and corporate are the three applicant categories. Using these three categories, we can then apply attributes to each group. There is no one correct answer, and each person must come to their own appropriate conclusion, hopefully through thoughtful consideration. There are two issues to address in that consideration: What the person must do and when they have to do it.

Starting with what they must do, let's consider three things.

1. It's a big job. Among other things, a trustee or executor must:

- Inventory assets
- Value assets
- Invest assets
- Understand tax law
- File tax returns
- Maintain accurate records
- Communicate with beneficiaries
- Interpret complete and lengthy legal documents
- Understand effects of forms of property ownership
- Carry out terms of the document
- Maintain accurate records
- Consider both federal and state tax laws
- Report to court as required by law
- Maintain double cash accounting
- Understand probate code
- Receive requests for distributions and make the decision
- Perform all tasks in an unbiased manner



2. It is expensive to obtain these services a la carte. Studies have shown that family members serving for “free” often end up spending more to do it themselves for “free” than they would have spent hiring a professional or corporate executor or trustee to handle the process start to finish or even to help with the process in an “agency” capacity.
3. It may “cost” (in terms of potential tension among family members) three things: time, money, and relationship. Doing it right sometimes means not doing it as fast as some would like (time). Doing it right sometimes means hiring professional help, which others might resent (money). And making tough decisions unfortunately, means that someone feels the decisions, aren't in their best interest (relationship). This puts the family member in that role into a tough position: Do the “right thing” and upset people, or don't follow the decedent's wishes to maintain harmony. Even following state law can be tension-producing when it doesn't

lean your way. Many families have been divided, caught between the sadness of losing someone close to them and the analytical “what is my share?” We all love to think this isn't the case but see it manifest itself repeatedly.

This leads us to the second point, which is when they must do it. Do you want to make your children do a big job, for free, at one of the low points of their lives: the loss of a dear, loved one? Professional and corporate trustees and executors can be truly objective, following the decedent's wishes to the letter. There is no self-interest and no conflicted emotions.

Here are a few considerations for each category of trustee or executor:

Corporate

- Regulatory oversight - Chartered to act as a trust company by an appropriate regulatory body
- Court oversight - Held to the highest standards
- Internal oversight - Clearly defined policies and procedures for consistent, accurate, professional execution
- Specialists - Dedicated full-time to the task
- Permanent and consistent - No vacations, incapacity, or death

Professional

- Operate under their professional licenses, generally not chartered as a trust company
- Held to high standards due to the charging of fees and expertise
- May not have a policies and procedures manual
- Generally, only a part of the practice
- Subject to vacations, incapacity, or death



Individuals

- Act as an individual with no charter
- Held to the lowest standards in a legal action, such as the “prudent person” rule
- Generally, no defined policies and procedures for consistent, accurate execution
- Generally, part-time at best and can be busy with family and a job
- Vacations, incapacity, or death is an issue

One final set of considerations is related to the roles of a trustee or executor.

In general, one should lean toward a corporate or professional in the following circumstances:

- To avoid burdening family with a time-consuming and complex job at an emotional time
- When family members or spouses don’t get along
- When family has had financial troubles
- When more than one marriage is involved
- When a trust will last a long time

And one should lean toward an individual in the following circumstances:

- When a family business dominates assets and involved insiders are willing
- When assets aren’t significant
- When a close existing network of professionals is already in place
- When substantial “hand-holding” is required

This decision is rarely easy, but hopefully, these considerations give enough information to provide guidance as to which direction one should lean in selecting an important role in their life: Taking their life work and savings, then sharing it with those they care most about. To discuss all of your options, talk with your financial advisor today.



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