

WEALTH MANAGEMENT ROUNDTABLE

PRESENTS:

HOW TO INTERVIEW A CORPORATE TRUSTEE

Assisting clients in the selection of a corporate trustee, or any trustee for that matter, could end up being one of an advisor's most important tasks over the long haul. More importantly, a successful interview will probably convince most clients not to name trusted relatives or friends as a trustee.

In this presentation we will cover the interview process and you should have a solid understanding of those items that must be included in a successful interview process.

Question 1. Who should do the interview?

You should include the client, the spouse, the client's attorney, and if possible the client's accountant, financial advisor and family members.

Remember this relationship could last for generations and it is often difficult, for very good reasons, to remove trustees once they commence their duties.

Who should represent the corporate trustee at the interview?

At a minimum the trustee should be represented by the account representative who will actually be representing the trust company in the relationship should one develop.

When should the interview be conducted?

The interview should be conducted well in advance of any actual need for a trustee. This is especially true when one is selecting successor trustee as these trustees are generally coming onto the scene during times of family turmoil.

How many interviews should be conducted?

Anticipate a minimum of two interviews and spend a few hours at each interview.

What is it like to work with your company?

The main part of the interview process is to determine how comfortable your clients are in dealing with the trustee. It is therefore very important to develop a relationship with the people with whom they will be dealing. Families with substantial wealth and complex issues want a trustee with substantial experience.

Think!!! Can the client actually work on a day to day basis with the person who is sitting at the table with them during the interview?

What about employee turnover? How long has the trust officer been with the company? The answer to these two questions are very important. Remember while you establishing a relationship with a business it is the personal relationships that count!

May we remove you as trustee at any time for any reason without an additional fee?
Would you agree to a change in situs?

This should test the trustee's true ability to retain its clients. If it has restrictions regarding termination of the relationship ask for an explanation. If there is a fee for termination ask for an explanation. In today's competitive environment you should be able to find a trustee who is flexible regarding removal and transfer.

What is your retention rate on an annual basis?

This question demonstrates that your client is looking for a long term relationship. Bear in mind that many items go into the figure provided by the trustee including client mortality, natural trust termination events and dissatisfied beneficiaries to name a few. Use this as an opportunity to really explore the trustee's relationships with its clients. If the turnover rate is high, this could be a sign of problems.

How likely is it that the trustee
will be acquired by another
financial institution?

How will your client fit into the structure of the trust company?

What is the average size of the trustee's trusts, the median and the total number of trusts? You do not want to be the largest or the smallest.

How will the trustee handle the client's investments?

The key buzzword today is “open architecture.” This term refers to the trustee's ability to retain money managers that are independent of the trustee to assist in the management of client assets. Don't focus solely on rates of return as there are many factors, in a trust investment environment, that go into the rate of return (i.e., a large number of income beneficiaries, etc.) Look for professionalism in the handling of investments.

In general no one can be great at everything. Therefore a trustee who handles every aspect of a trust should be carefully scrutinized.

Ask for a representative sample of the client account statements and make sure they are available online.

What are the review processes for a request for principal distributions and how long does the process take?

You should determine in advance how this procedure operates. Is it a committee of experienced trust officers that meet once a month or once a week or is the decision made by the trust officer, regardless of their level of experience?

Thanks for attending!

- Please fill out the evaluations.