

***Planning Ahead***

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## **Who Do You Trust To Be Your Trustee**

In making a Living Trust, most of the focus is on “who gets what”. But one of the most important decisions is “who will be in charge”. Who will you name as Trustee? Most people will choose a family member. Adult children are most common, followed by parents and siblings. A corporate Trustee (a bank or trust company) or individual professional fiduciary is not usually named unless there is no close family. But even when family is available, a corporate or professional fiduciary may be a better choice.

First, most people don’t have the experience to know that serving as Trustee is a huge responsibility, time consuming and often thankless. Also, there are common misperceptions that keep people from considering a corporate or professional fiduciary.

The biggest concern is expense. People think a corporate or professional fiduciary will be expensive, compared to a relative that would serve without taking a fee. Whether a relative should be urged to take a fee is another question. Administration of a Trust may go on for more than a year or if there are ongoing Trusts, the Trustee may serve for many years. What may start out as a favor or “out of the goodness of her heart” may evolve into an enormous burden and build resentment.

But even if a relative does not accept payment of a “Trustee’s fee”, a relative as Trustee may incur higher expenses of professional advisors, required when a Trustee is inexperienced. A Trustee is responsible for investments, for record-keeping and accounting, and often requires considerable legal advice in carrying out the Trustee’s duties. A corporate or professional Trustee often has all this expertise in-house or from years of experience, resulting in lower expenses charged to the Trust.

Second, family dynamics may benefit from a neutral, unrelated corporate or professional fiduciary. A Trustee who is also a beneficiary has inherent conflicts with the other beneficiaries that may cause friction. Or a relative serving as Trustee may take a paternalistic or judgmental approach to distributions that ends of damaging the family relationship. Or a relative serving as Trustee may be put in the impossible position of having to say “no” to a troubled beneficiary, compared to a corporate or professional fiduciary that can be objective and removed.

Ultimately, choosing a Trustee is a personal decision and everyone’s situation is unique. There is no one size fits all approach. But there are many situations where a corporate or professional fiduciary may be the better choice of Trustee.

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