

Guidance beyond the grave: writing a letter to your trustee

by Jonathan J. Robertson, CFP® \ President \ director of financial planning \ partner

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One of my prized possessions is a copy of a cookbook my grandmother wrote for my mom. I love reading her cursive, and the recipe for the sour cream pound cake is amazing. What I enjoy almost as much as the recipes is the fact that she wrote guidance in the margins: "it's easier if you mix these ingredients first"; or, of her red velvet cake "don't make this when I visit. I hate it!" In much the same way, you can make separate notes of guidance to complement your "official" estate documents. These notes give guidance to those making decisions after your death about your values and what is most important to you, making it easier for those decisions when you are not there to help.

Trustees make many decisions when managing trusts, and leaving a non-legally binding letter to help the decision-making process is beneficial. Two major decisions include: 1 how should the Trustee distribute funds, and 2 how should the Trustee invest the assets?

Some sample questions you may want to address when writing a letter to a trustee:

What to consider when distributing funds?

Many trusts give the trustee broad discretion for distributing funds to beneficiaries. The trustee will appreciate guidance as to how you would make those decisions if you were there.

Some points to consider:

- Do you view the trust as a safety net or do you view the trust as a tool to supplement wants?
- Trusts frequently have provisions to use trust assets for education. How do you feel about using the funds to pay for private primary school education? Are there limits on higher education? Do you have opinions about someone seeking multiple degrees? What about a college housing stipend?
- Do you have an opinion concerning whether the trust can be used to supplement needs if a beneficiary chooses a career that is personally fulfilling (or beneficial to society) but is not financially rewarding?
- How do you feel about using the funds to purchase a home? Should the funds cover the entire purchase price, or a down payment? What if the beneficiary will need to use trust assets to maintain the home after purchase?
- How do you feel about using the funds for travel? Do you view travel as a way to broaden horizons or bond with family, or as a luxury that you do not want to support?
- How do you feel about using the funds to encourage an entrepreneurial spirit?

How should the Trustee invest the assets?

When the trustee is managing the assets inside the trusts, the trustee has a legal obligation to invest the funds prudently. Within this framework, the trustee still has broad discretion in choosing how to invest the funds.

Some sample investment questions you may want to address:

- Do I have an opinion about investing for growth versus stability?
- Do I want to retain a certain investment that created the wealth? Exercise caution before saying "never sell X investment." Innovation changes and leadership changes could make a specific investment no longer be favorable and it could make sense to divest in the future.
- Do I want to retain a certain investment manager?
- Do I have ethical concerns regarding certain companies or industries?

Answering these questions (or many other items that are important to you) **in a separate note to a trustee can be helpful when the trustee navigates difficult decisions in the future.**



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As Abacus's President and Head of the Abacus Financial Planning Team, Jon provides leadership to the firm and the financial planning team while also working directly with clients. Jon's legal background is a great resource for Abacus clients. Jon is one of six Abacus shareholders.

When you write the letter, tell the trustee your intent is to offer guidance and for the letter to not be legally binding. Best practice is to show the letter to your legal counsel. Problems could arise if your wishes are inconsistent with some of the terms of the legal document or inconsistent with the trustee's fiduciary responsibilities. Your attorney might advise that some of the guidance you are providing could be better served by updating the terms of the trust itself.

Having a sound estate plan is a key piece of your financial life. Leaving a letter to your trustee could help provide significant peace of mind both for you and for your trustee.



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