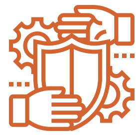
CERITY PARTNERS®

Trustees: Risk Mitigation Through Regular Reviews and Delineated Investment Approach

Part 2 of 4-Part Series



July 28, 2020

Susan Hartley-Moss, Partner

A fundamental obligation of trustees is to ensure regular and frequent communication with trust beneficiaries, including quarterly reviews that address the following areas or topics:

- **Overview or Summary of Trust Operations:** This summary will include income earned, distributions and investment performance. Depending on your custodial platforms, the generation of these reports should be mostly routine with some manual work needed to polish and collate information.

- **Investment Review:** In addition to the performance reporting of trust assets, the trustee or Private Trust Company (PTC) will need to provide a broad market overview as well as a discussion of the tactical and strategic asset allocation of the trust, review of the investment policy guidelines and distribution provisions, with a summary of what this means to the beneficiary and the trust long term.

  Outside managers may join for all or part of this review, depending on logistics (in the case of multiple managers, it is best to have one member of the administrative team handle this, perhaps in conjunction with the Investment Committee). The investment review should also be consistent with the Investment Committee and PTC's investment approach and philosophy around trust management.

- **Principal and Income Review:** There should be a review at each quarterly meeting, with an in-depth review annually, of the principal and income accounts of the trust, including what this means for beneficiary cash flows and taxes.

- **Outstanding Issues or Questions:** This may reflect longer-term trust projects or objectives plus status updates on each area. For example, a decision to continue distributions to allow a beneficiary to raise income in their personal account to provide for a spouse might have a target goal of wealth to be moved over and progress reports on this objective.

- **Next Steps and Outlook:** Each review will conclude with a summary of changes to objectives and the outlook for future trust investments or distributions.

- **Manage Taxation of Trusts:** The trustee (or PTC) needs to review, at least annually, the state and federal tax returns of the trust in conjunction with the distributions and investment objectives of the trust. PTCs often provide tailored support to family members in the management of tax liability and ensuring a tax-aware approach is applied to all trust management and investments.

At Cerity Partners, our dedicated Family Office team has helped many families with their trustee and fiduciary needs. For more information on our fiduciary and trustee services, please contact your Cerity Partners advisor.

About Cerity Partners

Cerity Partners is one of the nation's leading independent financial advisory firms. We serve high-net-worth individuals and their families, businesses and their employees, and nonprofit organizations from our offices across the country. Our in-house experts of tax advisors, financial planners, investment professionals, and retirement plan consultants are passionate about and committed to providing objective financial advice and oversight. Visit www.ceritypartners.com to learn more.

Susan is a Partner in the New York City office with more than thirty years of experience serving as a senior director in trust, wealth management and family office advisory firms, and as a personal fiduciary advisor to individuals and families. She helps large families and family offices evaluate and establish Private Trust Companies (PTCs) and develops family office governance and operating structures, including fiduciary policies and procedures.

10701601 (07/20)