LONE OAK
Trust Company

What Does a Trustee Actually Do?

Understanding One of the Most Important Roles in Estate Planning

BY PHIL HARTIGAN

When families establish a trust, significant attention is often given to the assets being transferred and the beneficiaries who will ultimately benefit. Equally important, however, is the individual or institution selected to serve as trustee.

A trustee is more than a custodian of assets. A trustee serves in a fiduciary capacity, meaning they are legally obligated to act in the best interests of the beneficiaries while faithfully carrying out the intent of the person who created the trust. Depending on the trust's terms, these responsibilities may last for many years or even several generations.
While every trust is unique, most trustees are responsible for six core functions.

Safeguarding and Managing Trust Assets

One of a trustee's primary responsibilities is protecting trust assets and ensuring they are managed prudently.

Trust assets can take many forms, including:

- Investment portfolios
- Real estate holdings
- Family businesses
- Mineral interests

- Closely held company stock
- Life insurance proceeds
- Cash reserves

A trustee must ensure assets remain properly titled, adequately insured, monitored, and managed according to the trust's objectives. This often involves working closely with investment managers, accountants, attorneys, property managers, and other financial professionals.

The trustee's role is not simply to preserve wealth, but to responsibly steward assets in a manner consistent with the trust's purpose and beneficiaries' needs.

Evaluating Distribution Requests

Many trusts provide trustees with some level of discretion when determining whether distributions should be made to beneficiaries.

Beneficiaries may request funds for purposes such as:

- Education expenses
- Medical needs
- Purchasing a home
- Starting a business
- Family emergencies
- Other significant life events

The trustee must evaluate each request within the framework established by the trust document. In doing so, they often balance the immediate needs of current beneficiaries against the long-term interests of future beneficiaries.

This responsibility frequently requires constant communication, careful judgment, consistency, and impartial decision-making.

Maintaining Records and Documentation

Trust administration involves substantial recordkeeping and organization.

Trustees are generally responsible for maintaining accurate records related to:

- Trust assets
- Investment activity
- Income and expenses
- Distributions
- Tax filings
- Beneficiary communications

Comprehensive records help ensure transparency and provide documentation that demonstrates the trustee has fulfilled their fiduciary obligations.

Proper documentation is particularly important when trusts have multiple beneficiaries or are intended to continue for extended periods.

Balancing Today's Needs with Tomorrow's Goals

Perhaps the most challenging aspect of serving as trustee is balancing competing interests.

Many trusts are designed to benefit both current and future generations.

Trustees must make decisions that address present-day circumstances without compromising the long-term purpose of the trust.

This often requires balancing:

- Income beneficiaries and remainder beneficiaries
- Current spending and future growth
- Individual requests and family-wide objectives
- Flexibility and consistency
- Compassion and objectivity

Every decision should be guided by the terms of the trust and the intent of its creator.

Communicating with Beneficiaries

Trustees serve as an important link between the trust and its beneficiaries.

This responsibility often includes:

- Answering beneficiary questions
- Providing required information and reports
- Explaining trust provisions
- Discussing trust administration matters
- Managing beneficiary expectations

Clear and consistent communication can help reduce misunderstandings while fostering transparency and trust among beneficiaries.

In many cases, communication skills are just as important as technical expertise.

Coordinating Tax and Legal Matters

Trust administration often carries ongoing tax and legal responsibilities.

A trustee may be responsible for:

- Coordinating preparation of trust tax returns
- Reviewing tax payments
- Working with legal counsel
- Monitoring regulatory requirements
- Interpreting trust provisions
- Maintaining compliance with applicable laws

Because trust and estate laws can be complex, and subject to change due to which political party is in office, trustees frequently rely on experienced advisors to help fulfill these obligations.

Effective trustees understand when specialized expertise is necessary and seek appropriate professional guidance.

Why Being a Trustee Is More Than an Honorary Title

Family members are often asked to serve as trustees because they know the beneficiaries and understand family dynamics. While this can be valuable, it is important to recognize the significant responsibility that accompanies the role.

Serving as trustee requires:

- Sound judgment
- Attention to detail
- Administrative diligence
- Financial oversight

- Regulatory awareness
- Impartial decision-making
- Ongoing commitment of time and effort

For many families, the trustee role becomes increasingly complex as trusts grow larger, beneficiaries multiply, and regulations evolve.

Choosing the Right Trustee: Individual, Corporate, or Both?

Naming a family member or trusted friend as trustee can work well in many situations, particularly when the trust is relatively straightforward and beneficiaries have strong relationships. However, certain circumstances may warrant consideration of an independent corporate trustee.

A corporate trustee may be especially beneficial when:

The Trust Is Expected to Last for Many Years
An individual trustee may not be willing or able to serve for the full duration of a long-term trust. Corporate trustees provide continuity, ensuring administration continues regardless of changes in health, age, location, or personal circumstances.

Family Dynamics Are Complicated
Trustees are often required to make decisions that not everyone agrees with. When beneficiaries have competing interests or strained relationships, an independent trustee can help reduce conflict and provide objective decision-making.

Significant Assets Are Involved
Larger trusts often require ongoing oversight, recordkeeping, tax coordination, regulatory compliance, and interaction with numerous professional advisors. Managing these responsibilities can become burdensome for an individual trustee.

The Trustee Must Exercise Discretion
Many trusts give trustees authority to approve or deny distribution requests. Making decisions that affect family members can place an individual trustee in uncomfortable positions and create tension within relationships.

Specialized Assets Require Oversight
Trusts may hold family businesses, real estate portfolios, mineral interests, concentrated stock positions, or other complex assets. These situations often benefit from experienced fiduciary administration and access to professional resources.

Objectivity Is Important
A corporate trustee does not have personal interests, family loyalties, or emotional involvement in trust decisions. This independence can help ensure that decisions remain aligned with the terms and purpose of the trust.

Individual Trustee, Corporate Trustee, or Co-Trustees?

The right answer depends on the family's circumstances and goals.

Some families prefer a trusted individual. Others prefer the continuity and objectivity of a corporate trustee. In some situations, a combination of a

family member and a corporate co-trustee may provide the best balance of personal knowledge and professional administration.

The most effective trustee structure is the one that can consistently carry out the grantor's wishes, serve beneficiaries fairly, and administer the trust responsibly over time.

301 Commerce Street
Suite 1900
Fort Worth, TX 76102

(817) 992-1312
info@loneoaktrust.com
www.loneoaktrust.com