FIDUCIARY™ TRUST

ONE OF THE BEST TRUST COMPANIES IN AMERICA

RATED BY

WEALTHADVISOR

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EXPANDED 7TH EDITION

2018 AMERICA'S MOST **ADVISOR-FRIENDLY TRUST COMPANIES**

THE WINNERS LIST: DETAILS ON THEIR TECHNOLOGY, CUSTODIANS, FEES, IN-HOUSE EXPERTS, ADVISOR SUPPORT AND MORE.

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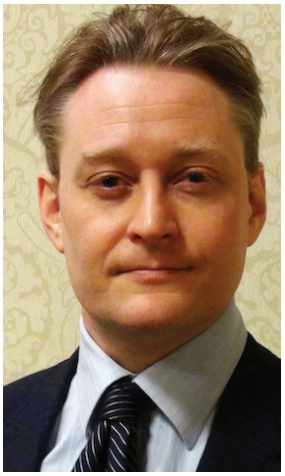
America's Most Advisor-Friendly Trust Companies is updated and published quarterly. Trust companies interested in being included in future editions should email: thewealthadvisor@gmail.com.



SCOTT MARTIN

EDITOR-IN-CHIEF

Editor in Chief for Wealth Advisor publications, Scott reports and writes articles pertinent to wealth advisors, trust advisors and others who counsel high net worth individuals. Additionally he is working on developing new asset-management approaches to replace established models that are losing their predictive force.

"It's starting to look like a long-predicted wave of disruption is finally coming," he says. "We're going to see the pace of change accelerate, with new kinds of firms and new relationships of human talent to clients and back to institutional partners."

Winners in this new landscape will give sophisticated investors access to sophisticated solutions that encourage long-term retention as well as the migration of assets away from weaker rivals. "By definition, that means trust services," he says.

If your practice is friendly to trusts over the coming years, you've got a place in the industry of the future. It's really that simple.

INTRODUCTION:
A BETTER DEAL THAN EVER

The biggest tax cut in a generation is on the books. Most of your competitors think pushing the individual estate exemption to $11 million means that only the elite of the elite still need to incorporate trusts into their multigenerational planning. After all, there's no reason to transfer wealth into a trust when that money can simply pass to the next generation with zero IRS drag, right?

Every top-tier estate planner I've talked to in the last few months laughed at the question. We're talking about legends like Robert Keebler and Steven Oshins. They've already found the new math in the tax code that makes trusts more attractive than ever in some situations. And besides, we aren't exactly in a new era where all the old rules have been repealed forever with one rub of the federal eraser. The only thing that's happened is that the pendulum has swung a little farther away from punishing the rich for dying with too much money.

Pendulums swing out and then they swing in. What Congress gives wealthy families this year can just as easily be taken away in the next political cycle — this isn't the first time the estate tax has been rolled back, and if the mood in Washington is different in 2025, the exemption automatically reverts, with no wiggle room for inflation in the meantime. As a result, a lot of estates that skate under the exemption now will actually trigger an IRS liability down the road, even if we only assume "typical" market appreciation in the meantime.

Expanding the exemption today does only one thing: reopen the transfer window for families that have already taken full advantage of their ability to park $5.5 million per person in trusts and now have a chance to double down. Whether they realize it or not, trusts are once again a live opportunity to permanently shield millions of dollars before Congress changes its collective mind. Odds are good their other advisors aren't pointing that out.

And Congress will change its mind. This is short-term relief, not revolution: a patch on the way the federal government treats rich taxpayers, and not a cure. The first law of tax planning is that you take advantage of every break you can get while you have it, because you never know when Washington is going to take it away. We'll explore that basic truth — along with a few new nuances — in the following pages.

But the bottom line is that advisors who have that kind of information and can rise to the challenge are naturally in a better competitive position than those who hope they'll never have to answer when their clients ask about the estate tax. Most of the people trying to capture your clients don't work with trusts. We've always thought that was ludicrous — even if only one client on the platform ever needs access to advanced estate planning techniques, they're usually the best one, the account an advisor doesn't want to lose.

That's why I'm happy to welcome you to the biggest and best Wealth Advisor guide to America's Most Advisor-Friendly Trust Companies yet. The trust industry has been watching developments closer than anyone. The alert ones we like to work with — the ones who want to work with you, the ones in this book — haven't exactly rung the death knell on estate planning yet. They're already pivoting their businesses to get ready for what's ahead. If you need a partner or even just someone to walk you through the landscape, these are the people worth calling.

TRUSTS: DEFINING A FEW BASICS

A trust is a legal instrument used to administer assets transferred from one party (the grantor) on the behalf of others (the beneficiaries). The trust can own property and invest capital to provide income to pay out to the beneficiaries. Its interests are clearly laid out in legal documents, and one or more trustees are appointed to manage the assets. While the trustee can be an individual, modern best practice suggests that a corporate entity provides the required service more reliably and more efficiently.

All trusts fall within two main categories:

- Revocable trusts maintain the assets under the ownership of the grantor, often until death.
- Irrevocable trusts remove the assets permanently from the grantor's control and from the estate.

A variety of specialized trusts provide additional protection and flexibility. However, most trusts are created to serve the following financial goals:

- Estate planning
- Asset protection
- Tax reduction
- Probate avoidance
- Charity and philanthropy
- Supporting individuals with special needs (guardianships and conservatorships)

While corporate trustees have historically tried to take over the way trust assets are invested, effectively capturing those accounts away from the grantor's existing advisors, a new wave of trust companies are satisfied with charging a token fee for administration and leaving the money management (and the associated fees) to the experts. These trust companies are what we call "advisor friendly," because they'd rather cooperate than compete.

FIDUCIARY TRUST OF NEW ENGLAND
Michael Costa
President & CEO

The most exciting theme we have seen in recent years is the growing interest in directed trusts and the open-architecture trust service model. As a New Hampshire–chartered trust company, we have seen a significant increase in demand for our directed trust services as advisors across the country look to expand their businesses with trust capabilities.

Two common mistakes we see among competitors are inflexibility and insufficient expertise. A rigid offering and service model can make it difficult for RIAs to meet client-specific requirements. On the expertise front, some firms are unable to adequately address the complex requirements of high-net-worth clients.

We distinguish ourselves through delivering superior service, flexibility and expertise.

LEADERSHIP ON YOUR TEAM

We've got 27 trust companies in the book this year. Most are known leaders in the independent advisor-friendly space, building on their past success to put even more space between themselves and the institutional dinosaurs that really aren't more than glorified custodians. A few are new to the list, ambitious and full of innovative ideas, technology and new ways to serve your clients better, faster and more efficiently. We aren't in the world of the "robo trust company" yet, but I suspect the day is coming.

These companies are all over the map, clustering wherever state statutes provide favorable treatment for wealthy families that they may not be able to get at home. You can find them from Nevada to New Hampshire, South Dakota to Tennessee, New Mexico to Delaware. They're at all stages of their corporate evolution: some are affiliated with larger financial entities, others are practically start-ups. You'll find niche specialists and across-the-board generalists here.

What unites them is leadership and willingness to work with you on your terms. Calling these organizations "advisor friendly" is actually an understatement. These are "advisor centric" trust companies that have made a special commitment to eliminate conflicts of interest between themselves and you. They couldn't try to capture your clients even if they wanted to do it, and nobody I've talked to even has that urge. That's a platform that you can rely on as you build closer partnerships, unlock joint efficiencies and become a more nimble competitor.

That's actually a rare thing to be advisor centric. A lot of trust companies can't — or won't — really do that. They offer commodity service, one-size-fits-all solutions that worked all right in the old world but are going to look increasingly behind the curve as the path of Washington policy blazes on. Many will be perpetually distracted as they fight to reassert their relevance. Others will simply embrace internal agendas and expand at any cost, even if that means betraying the investment advisors they once vowed never to compete against. They're actively hiring reps to staff their offices and build face-to-face relationships with the wealthy investors they were introduced to in good faith. You won't find them here.

ANOTHER YEAR OLDER: THE BOOMER OPPORTUNITY

From a wealth management perspective, the allure of moving assets into trusts increases every year. The last 12 months were relatively quiet on the surface — not a lot of movement on the state statute level as the world held its breath for Congress — but the calm only delays the demographic storm ahead. The older Baby Boomers are retired, and while they're fighting the inevitable as well as humanly possible, they're still dying at a rate of about 1 million a year. Over the next 30-35 years, their heirs are on track to inherit roughly $3 billion a day or over $1 trillion annually. And as those assets transfer, the kids are rarely prepared to handle the responsibilities.

When a client dies, the advisor has a chance to retain the account, but the relationship nurtured over the years or even decades evaporates immediately. Unless you've done the work to extend that relationship down the family tree, you'll always be viewed as mom or dad's money manager, just another heirloom for the new generation to deliberate around and then discard. They want to follow their own ideas about money. We can doubt the long-term wisdom of pure robot advice and other novelties, but the numbers already tell the story there: No matter how loyal you were to mom and dad, most heirs fire the grantor's advisor anyway.

Every day between now and 2050, the equivalent of another $3 billion in client accounts reaches that decision point. Trusts, by definition, don't die with the original flesh-and-blood client, so those assets can theoretically stay with the original advisor for decades beyond the generational transfer — all it takes is the right language on the documents and you have the opportunity to remain in the picture with the next generation for years to come.

That's often a powerful argument where your clients are concerned. They put their money in your hands because they're convinced you'll do the best job protecting it and helping it grow. If their estate plan is to keep assets in trust for their heirs rather than have them inherit funds outright, it's only logical they would prefer to have you continue to manage the assets rather than an unknown entity.

However, the time to have the conversation and finalize the paperwork is before your clients die or become incapacitated. They're already dying at the rate of $3 billion a day, which is what the trust industry — advisor-friendly and otherwise — spent 2017 capturing while the rest of us pondered the tax debate. Fortunately, as your clients' trusted advisor, you are perfectly positioned to provide a solution to their dilemma of, "who should we name as successor trustee, and who do we want to manage the trust assets." All you need to do is avail yourself of the expertise and reputation provided by the new breed of corporate trust companies that will allow you to manage the trust assets on your custodial platform of choice and keep your seat as the family's trusted advisor in either a directed or delegated capacity. Although many of these trust providers offer only the "Directed" option, there are several that have the flexibility to accommodate both options depending on the governing state statute, family dynamics and particular needs of the grantors. What is most important is, with both options, the advisor cannot be simply "kicked to the curb" by the grantor's heirs.

The landscape hasn't shifted. The demographic tidal wave is still coming. In circumstances like these, I'm thinking we'll see the most strategic players in the business start consolidating in order to get a bigger piece of the action. Odds are good a lot of the companies in this guide will be buyers. Some, however, will inevitably get an offer too rich to refuse. If 2017 looked dull, 2018 may give everyone all the excitement we can handle.

A LITTLE HELP FROM CONGRESS

If you're new to working with trusts, this next few paragraphs aren't really going to strike you as anything especially revelatory. All you need to know is that Congress didn't weaken the proposition for wealthy individuals moving their money into trusts at all. If anything, in quite a few scenarios, the case is better than ever.

Start with one of the few sore spots in the new tax code: federal treatment of state and local income tax. Losing those deductions is a drag for someone who lives in a high-tax jurisdiction and has assets that throw off a lot of income — a taxable investment portfolio qualifies, but local business operations or real estate don't. The logical solution is to shift those assets into an out-of-state trust where the loss of deductibility no longer hurts.

Several top-tier trust states don't have an income tax or at the very least refuse to tax nonresident s on capital gains. In places like Nevada, this basic arbitrage has turned cross-border trust activity into a substantial business, beckoning money from neighboring California in particular. Even those who have already used their gift and generation-skipping transfer tax exemptions now have an extra $5.5 million apiece to take advantage of this.

Meanwhile, existing trusts in high-tax jurisdictions now look less attractive, so this is an opportunity for advisors to talk with living grantors (or their successor trustees) about moving the trust in order to reduce long-term drag. The window may be narrow, especially if President Trump loses control of Congress and the new rules are repealed early, but your clients should have at least until 2020 to make their moves.

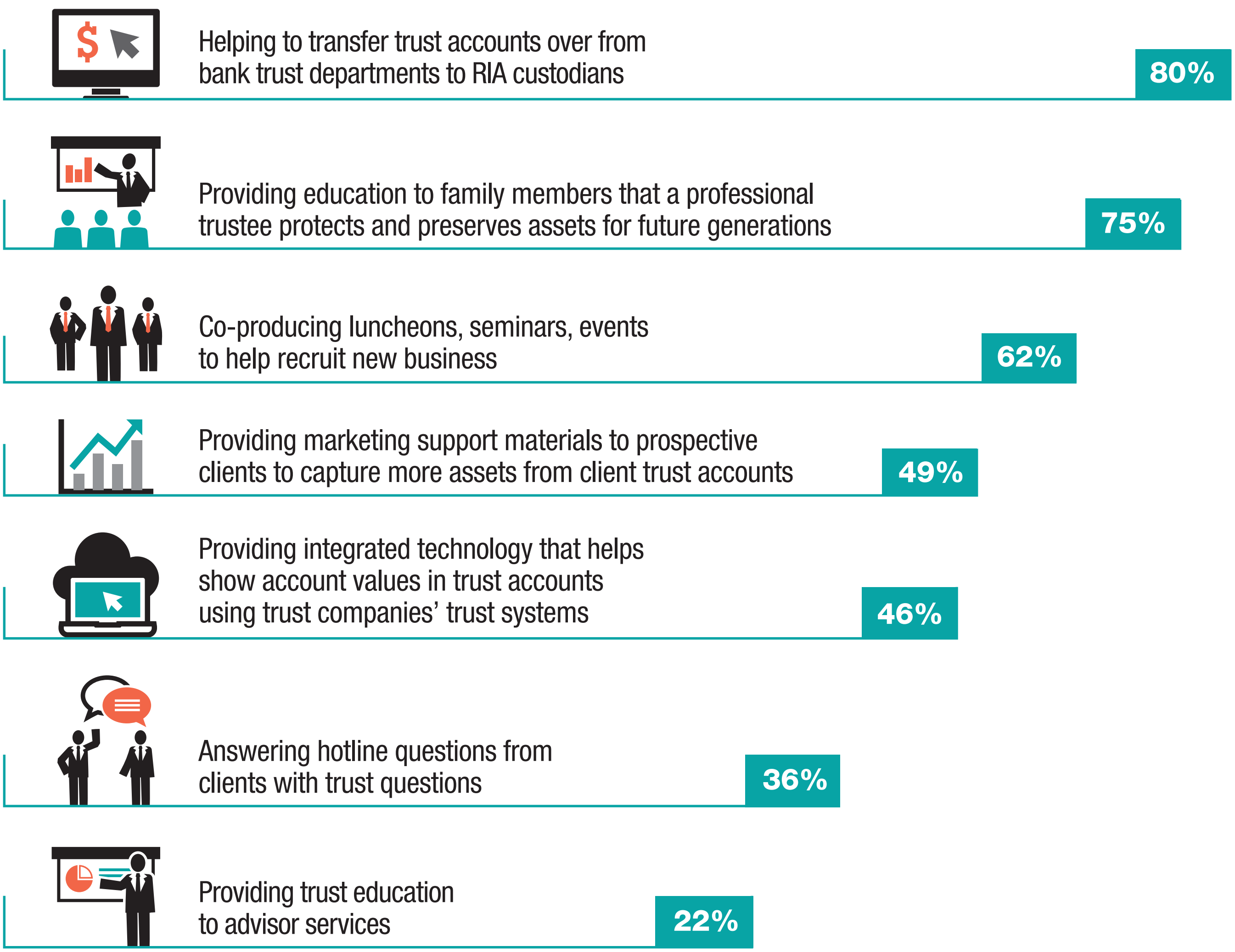
In general, the tax cuts preserve all the existing advantages of holding wealth in trust instead of personally, so there's no new reason not to at least run the numbers. We thought for a while that family-owned businesses would get an advantage over those owned by a trust, but that wasn't the case after all. The final language fixes that disparity and all pass-through businesses get the same rate. If your clients want to sell someday and reduce their ultimate capital gain liability, a trust in a low-tax state is the way to go.

CREATING DEEPER RELATIONSHIPS

Investors are almost universally frustrated with raw investment performance as the basis for their advisory relationship. As we've seen, an automated computer program can match the market for a fraction of the cost — and matching the market may not always be terribly impressive in itself.

Trust services create the kind of deeper, value-added relationship that provides the long-term structure that keeps clients from drifting away. Assets held in trust can remain in place in perpetuity, accumulating wealth

HOW TRUST COMPANIES HELP ADVISORS LAND NEW ACCOUNTS



across multiple generations of clients and keeping the fees flowing for decades. It's no wonder banks and other institutions keep chasing these assets and never let them go when they get them.

While this area of the industry is practically essential to high net worth investors, only a minority of advisors has built the necessary network of relationships to help clients transfer their wealth into trusts. It takes a little time and effort to find the right partner. Moreover, with so many trust service organizations fighting for a place at the table, the cost of settling on the wrong partner is far too high.

Most trust service organizations are affiliated with banks or asset management firms that want to take over the way the money is invested. Many funnel the cash into proprietary products. Others simply exploit their access to your best clients in order to prospect a greater share of the overall assets away from legacy advisors and into their own books of business. These organizations tend to compete with, rather than partner with, advisors.

These trust service organizations may do a great job administering trusts, but from an advisor's point of view they're far from trustworthy, as they have no separation between investment management and trust administration. Anyone who refers clients to these de facto competitors is effectively giving a rival open license to take over the accounts.

The good news, of course, is that dozens of trust companies (even those affiliated with banks or asset management firms) have developed a business model nimble and efficient enough to cooperate with advisors. They're happy to stick to their end of the trust relationship and earn their fee from administration, fiduciary services and other specialized functions, leaving the way the trust assets are managed to the advisors who introduce the accounts.

These companies have staked their future growth on their ability to work with advisors instead of against you. They like advisors. They know the culture and the strategic considerations you deal with every day. We call them "advisor friendly" because that's what they are.

Every year, we profile the companies that have demonstrated that they want to work with you. Some are massive, dominating their jurisdiction, while others work on a boutique scale. Many are specialists in various forms of trust or hard-to-place assets. Most provide various forms of support to help their partners market themselves as trust experts to clients who want this level of service and will get it from someone, one way or another.

A GUARDIAN WITH NO CONFLICT OF INTEREST

Every advisor needs an edge. You're all on the hunt for the same wealthy clients, looking to provide the best perception of value. Today's wealthy families are not willing to settle for someone who will simply manage their portfolios or give them a template for a financial plan. They've learned to use the Internet and they know there are all-in-one firms that can give them tax advice, insurance, estate planning, philanthropy, wealth transfers to future generations and more.

Your clients want a holistic approach with specialized expertise. They demand a financial advisor who will not only act as a go-between to the markets but as a guardian of every aspect of their financial lives.

And as it happens, one of the top items on their wish list is the ability to create and use trusts. While an individual can run a trust, the complexity and fiduciary burden make it difficult — even unwise — for an advisor to do so. The SEC has ruled that any advisor who wants to serve as trustee or trust administrator will face expensive and onerous audits. As a result, a third party needs to be identified to serve as trustee.

Given the complexity of the task, this will often be a specialized corporate entity, a trust company or bank trust department. Once again, as far as the trust and its creators are concerned, this can be a terrific solution. The corporate trustee has the resources and the expertise to manage the paperwork, meet the filing deadlines and bear the fiduciary burden — but in the past, the advisor almost always got squeezed out of the relationship.

To be considered advisor friendly, a trust company needs to be able to pledge that it will cooperate with you, not compete against you. Unlike captive trust departments that exist to give their corporate parents — usually wealth managers or banks — access to your clients, these companies have unbundled their wealth management offering and can simply sell trust administration as a separate service.

The difference is vast. Conflicts of interest are eliminated. Very few of these companies could take over active management of your clients' trust assets if they wanted to, so you're able to stay right where you are: carrying the ball and earning the glory.

Today's trust industry is still full of companies that compete directly with advisors for control of the assets, but thankfully their dominance is nowhere near as complete as it was. Progressive trust companies recognize that investment advisors are the best people to handle the investments and that running the trust is enough of a challenge in its own right.

Much like independent advisors, these companies are not beholden to outside corporate interests. They rarely, if ever, have proprietary investment products to sell or commissions to capture. Very few will insist on taking custody of the trust assets, although many will do so if the trust creator or his or her advisor wants.

A trust company that wants to make the Wealth Advisor rankings needs to go the extra mile to not only stay out of your business but also help you build that business. It's no longer enough to passively do no harm. They have to actively support your efforts to differentiate yourself as the advisor that high net worth families consult when they want to open a trust, integrate it into their long-term financial plan or simply squeeze better investment performance out of an existing trust fund.

Time after time, we see that marketing support makes the difference between success and failure when advisors add trust services to their service platform. The closer your administration partner can take you to offering your clients a "plug-and-play" solution, the faster you will see concrete results in terms of client retention and your own marketing efforts.

Sure, you can always educate yourself and prepare your own client materials, but that's a significant investment of in-house resources that may not pay off for months or even years. So go ahead and lean on your trust company partner — assuming, of course, that they're up to the challenge.

TRUST COMPANIES ARE A QUIET PARTNER

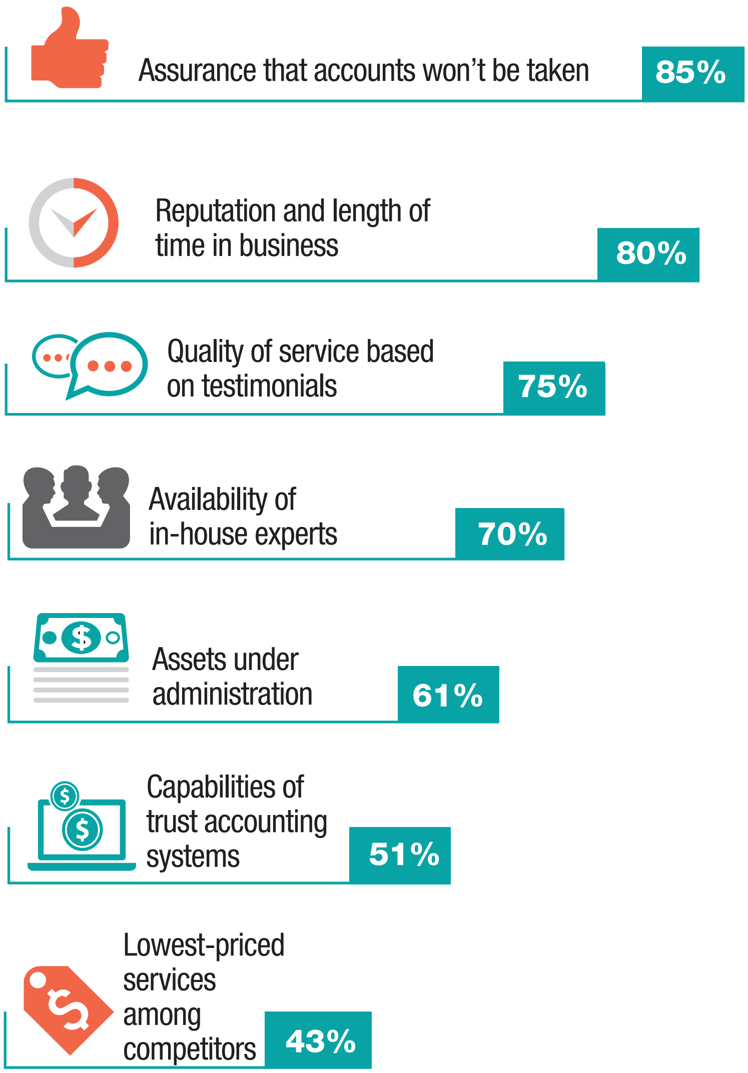
With the right partner, your core role in introducing the trust concept to your clients is as a center of influence. You don't have to be the expert on a technical level. The trust company will handle all the details anyway. All you need to do is start the conversation: "Are you familiar with what a trust can do for you?"

Keep it simple. Get copies of potential trust partners' marketing materials when you start talking about a relationship, and lean on those materials to feed the discussion. These potential partners should have PowerPoint or the ability to construct a presentation for you.

Don't forget to remind your client that most other advisors are skittish about suggesting a trust even when it's obviously in an investor's best long-term interest, simply because it represents a sacrifice in terms of assets under management and possibly lost revenue. Barely 10 percent of advisors work with trusts. It should impress any client to know that you're in that top decile right away, provided of course that you let them know.

WEALTH ADVISOR 2017 FINANCIAL ADVISOR SURVEY RESULTS

WHAT MAKES A TRUST COMPANY ADVISOR FRIENDLY?



Source: Wealth Advisor survey of 500 advisors.
Respondents were allowed to select all choices that applied.

Remember, the more trusts you direct toward a trust company, the more fee income they generate. A truly serious partner will feed every affiliate with plenty of training materials, consultation and even branding support to help you establish yourself in the trust field.

And in most cases, this material will keep you at the center. The trust company functions behind the scenes, so far back in the back office that they might actually be working several states away. Reports and communications can route through you and carry your logo and letterhead. Your clients may not even know the trust officer doesn't work for you.

Either way, top-tier trust companies are seeing advisors step up their cooperative efforts with other professionals who have a voice in wealthy families' finances. Attorneys and accountants play critical roles in the trust creation process and need to bring in advisors to manage the investments. You can play quarterback on the accounts you bring to the game, but having a team on your side goes a long way toward mutual success.

DIRECTED AND DELEGATED TRUSTS

Thanks to innovations in the trust code in many states, truly advisor-friendly companies are happy to let the advisor keep investing the assets and collecting the management fees. From the advisor's perspective, only the client's satisfaction level changes.

The breakthrough came in the 1990s, when some states altered the rules to allow the creators of a trust to direct the trust company to follow the investment choices of an outside advisor. Trusts set up under these terms are generally classified as "directed" trusts.

Similar arrangements leave control over the investments with the trustee but allow that function to be delegated to an outside advisor. Naturally, these are considered "delegated" trusts.

Delegated or directed, as far as the portfolio is concerned, the advisor (you) is boss. The advisor earns the management fees. The trust company earns its own fee for handling everything else: accounting, custody (if required), reporting and payments to the beneficiaries.

If the IRS needs to inspect the books, the trust company handles it. If one of the people named in the trust documents has a special request, the trust company handles it.

Since both trustee and investment advisor are thus free to do what they do best, this aligns the interests of all service providers with the grantors and beneficiaries themselves.

DUTIES OF THE TRUST OFFICERS

The trustee is the person or corporate entity that manages the trust's affairs in order to ensure that it achieves the goals set by its creators. Trust administration issues, deadlines and procedures can strangle otherwise financially sophisticated people in red tape.

This is a fiduciary role, and as such the penalties for failure are clear-cut and severe. Your clients already know what you do to manage their money, but the trustee relationship is likely to be new and somewhat outside their experience.

Because you will want to remain the primary point of contact between clients and the trust company, you must have a basic understanding of the primary duties of the corporate trustee and any trust officers assigned to your clients' accounts.

Nondiscretionary tasks are not optional. These include making income payments monthly, quarterly, annually or as otherwise directed by the trust. Trustees must also pay out principal as set forth in the trust and attend to all other matters the trust directs. Tax and other filing deadlines must be met in full. Any additional duties or instructions explicitly called for in the trust documents must be carried out.

Discretionary tasks give the trustee more room for personal interpretation. If the trust is silent on an issue, the trustee's fiduciary duty may require him or her to make discretionary decisions. For example, a trust may indicate that the trustee can make principal payments "after considering other sources of income available to the beneficiary," in which case the trustee should demand extensive documentation from the beneficiary before making a decision.

Many trust officers also perform miscellaneous activities on behalf of the beneficiaries as part of their overall ethic of service, even if these tasks are not explicitly mandated in the trust itself.

REPUTATION IS THE TOP DIFFERENTIATOR

The Wealth Advisor's audience includes some of the highest-powered professionals in the industry.

Not surprisingly, most of you want to open up your business to support trusts for very simple reasons: a wider offering makes it easier to court new clients, encourage existing relationships to trust you with more of their assets and generate more revenue on every dollar of AUM on your platform.

A full 82 percent of our readers say finding a trust company they can recommend to their best clients has translated into new relationships, enhanced account retention or both. That's it. It's a pure business decision and the numbers speak for themselves.

In terms of picking a trust services provider that can help you achieve those goals, you are all about testimonials. A reader survey we conducted revealed that 80 percent of you say reputation and length of time in business are the most important factors in picking a partner. Only 22 percent are looking for the lowest-priced solution.

What does this mean? Advisors look for testimonials and case studies to prove that a potential partner can back up its claims.

Once you make the calls, you'll have a much better idea of a trust company's standing in the industry and whether it would be a good fit for your clients. If that side of the company passes muster, you've determined that even a tiny boutique vendor may be worth a few basis points more.

WHICH TRUSTS MAKE SENSE

SUGGEST THIS TRUST TYPE…	…FOR THIS PLANNING NEED
ASSET PROTECTION	reduce vulnerability to legal and other creditors
DYNASTY	truly long-term succession
CRT	current income and a charitable bequest later
SPENDTHRIFT	prevent heirs from direct access to funds
QTIP	surviving spouse needs support before children inherit
GRAT	grantor needs retirement income from assets
GST	avoid triggering generation-skipping tax
ILIT	hold life insurance to pay estate tax or other liabilities
CRUMMEY	preserve lifetime gift tax exclusion
SPECIAL NEEDS	provide support for a disabled relative or loved one

MARKETING EXPERTISE TO BENEFIT YOU AND YOUR CLIENTS

Trust companies know the benefits of trusts better than anyone. They've seen the results over and over as part of their everyday operations: lower tax drag, protection from outside scrutiny and nuisance lawsuits, multiple generations of wealthy families kept together through a unified ethos and set of financial instruments.

Having a trust company on your side that you can trust does more than simply defend your book of business when your current generation of clients dies and hands over the assets, presumably to a trustee or rival advisor the heirs pick.

This is actually a way you can go on the offensive and prospect accounts from competitors. The chart on p. 9 lays out the primary ways trust companies help advisors not only retain existing business, but even grow.

Either way, if you want to communicate the value your trust partnership adds to your clients and prospects, odds are good that the trust company already knows exactly what you should say. You shouldn't have to educate yourself in the intimate workings of the trust code just to sell yourself as an advisor who works with these vehicles.

All you should need to do is let your partner provide the marketing materials you need. Any trust company that's winning new accounts probably has a library of white papers, newsletter articles and other informational content that it distributes to its own prospective clients. Volunteer to pass it on to your clients and prospects as well.

Tapping your trust partner's expertise in marketing trust-oriented financial planning techniques doesn't diminish your own central role in your clients' eyes. At worst, all you're doing is demonstrating without a shadow of a doubt that you're a professional who knows whom to contact for support on specialized topics. More likely, your clients will simply start thinking of you as the person who knows about trusts.

Either way, a real advisor-friendly trust company won't make you reinvent the marketing wheel. They've already done the heavy lifting to support their own business, and besides, if you end up convincing any of your clients to create a trust, the trust company is the one who benefits. Your success is its success. A real partner should do whatever it takes to make that happen — and it should be proactive enough to volunteer its help before you ask.

When interviewing a potential partner, find out about the marketing support. It's not necessarily a deal breaker, but the more the trust company can help you establish your role as a trust advisor, the faster this relationship will pay off for you both.

FAVORABLE TAX RULES IN SOME STATES

You need to find a trust company partner that can work with your clients wherever they live. However, anyone from any state can set up a trust in any jurisdiction, so no advisor should feel constrained by what's available at home.

Recent trends have led wealthy families and individuals to seek out the most favorable environments for their assets, changing residences as tax laws shift. Because of this, many large family offices are opting for maximum flexibility when the time comes to decide where to set up the new trust.

In addition, family needs change from generation to generation. Even if the prospective trust grantor doesn't need a particular tax benefit or class of protection at the moment, these advisors know that circumstances change. And since multiple generations may be part of the equation, the trust must be able to evolve with the family's needs. Because of this, many advisors look for a combination of factors when searching for a trust company:

Perpetuities. Conventional trusts can expire a few decades or maybe a century after the original grantor dies, but many states allow property to remain in trust for many generations longer than the standard state, and in some cases, forever. These perpetual trusts or dynasty trusts are a very popular technique for planners and clients today.

Favorable tax rules. Avoiding state income or capital gains tax is another key objective for planners to achieve for their clients. Alaska, Florida, Nevada, New Hampshire, South Dakota, Texas, Washington and Wyoming do not impose an income tax on trusts. Delaware does not impose an income tax on trusts if the income or capital gains are accumulated or distributed to nonresident beneficiaries.

Asset protection. Some states offer varying degrees of protection for locally domiciled trusts from the trust creator's creditors.

While the language can be so vague as to be useless in court, jurisdictions like Nevada and South Dakota have a rich body of statutes in place designed to shield property from legal claims.

Total return trusts. Many states have enacted total return trust or power-to-adjust statutes. Trustees in these states can now invest based on a total return approach and satisfy beneficiaries who receive either a share of current income or the principal at a later date. Most states with total return trust legislation have the ability to convert a trust to a unitrust percentage between 3 percent and 5 percent.

Delegation. Needless to say, you want a trust provider that operates in a state that allows an outside advisor to manage the portfolio. But this is not quite as intuitive as it initially seems. Review state statutes permitting segregation of duties to make sure that the trustee will provide exactly the level of supervision you find comfortable — neither more nor less.

Privacy. Most states have methods for insuring that fiduciary matters will not be a matter of public record, although some are stronger than others. However, state laws differ on beneficiaries' entitlement to trust information, and only a few states allow a trust instrument to delay or prohibit disclosure of trust information to future beneficiaries.

PICKING A GOOD TRUST COMPANY PARTNER

Plenty of would-be advisor-friendly firms operate on a commodity basis, relying on technology and standardization to ensure good service for more or less generic trusts. These trust companies generally offer low, all-in pricing but can become inflexible as trusts get more complex or require special outside-the-box handling.

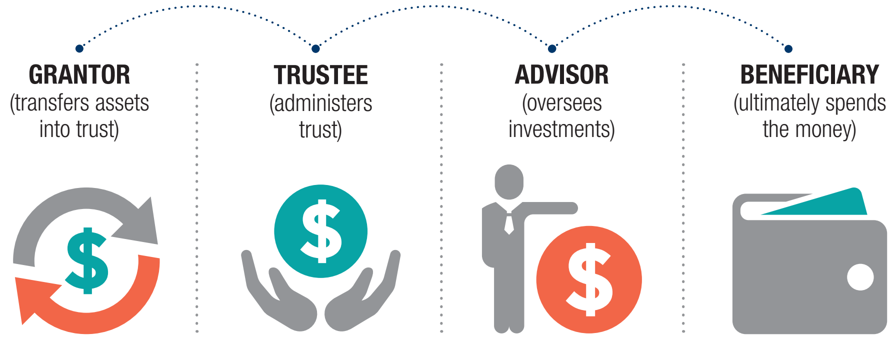
In the meantime, your best clients demand service and flexibility. The trust company you recommend to them reflects on you and the overall experience you provide.

Look for a corporate trust company that can provide evidence of:

- Years of experience in administering trusts
- Specialization in trust administration, custody, and fiduciary tax reporting services
- Knowledge of changes in the directed trust space and the trust environment

THE ADVISOR-FRIENDLY TRUST STRUCTURE

Conventional trusts lock the advisor out of the relationship, handing the assets to the trustee to manage. Make sure your clients work with companies that leave room for you.



- Dedication to fiduciary responsibility
- Insurance coverage against fiduciary errors and omissions
- Staff continuity
- Examination by internal auditors and external regulators
- Focus on the best interests of all beneficiaries, both current and future, while implementing trust provisions
- An aversion to "interpreting" or adding to the trust documents in order to divine the wishes of the creator
- State-of-the-art technology
- A reporting and accounting platform that supports both your custody platform and all assets that will go into the trust
- Established partnership relationships with multiple team members

Once you have your search narrowed to one or two states, start interviewing trust companies with the above criteria in mind. Remember, you want a partner that keeps its in-house investment unit — if any — away from your clients. The partner should not be trying to sell your clients proprietary investment products, but should have the capability to support any investments that you might recommend, now or in the future. If the firm is not "friendly," it doesn't really matter how nimble its operation is or how in-depth the services it offers.

LOOK FOR A TEAM

As you put together a short list of trust companies that may be a good fit for your clients, remember that diversification is key. Just as every one of your clients is different and has unique needs, many of the best providers are generalists who excel in a niche or two, or are outright specialists.

Learn to recognize the jargon that differentiates one trust company from another so you can build a balanced team of potential partners. Some are geared toward self-directed IRAs and other pure hands-off custody and administration. Others shine when it comes to classic directed trusts where trust officers and advisors work more closely together.

Some of your clients will want to create trusts that favor one group or the other. If possible, cultivate relationships with at least a few from either side of the bench to give your clients the best pool of options to work with.

- Ideally, a dedicated trust officer is assigned to each account
- Examine how payments and beneficiary/client communications are handled

Advisors seeking a trust company for a directed trust that does not contain discretionary provisions can focus on the easy questions:

- Is a dedicated trust officer responsible for each account?
- How are income or principal requests handled? What are the turnaround times and payment methods?

- How are communications with the beneficiary handled?
- How quickly can the trust company respond to document review, interpretation and explanation requests from a client or financial advisor?

When trustee discretion is an issue, the process of finding the right fit can become more difficult and chemistry becomes more important.

WHAT WILL IT COST?

Naturally, corporate trustees need to charge for their services. While regulators are pushing for greater transparency here, this fee is often all-inclusive or bundled in such a way that beneficiaries and their advisors have a hard time determining where the money goes.

Traditional all-in-one trust companies further obscure the cash flows by charging a fee that compensates them for their investment management services, fiduciary risk and other "soft, non-value-added services" provided to clients.

Directed trusts, on the other hand, generally separate the investment advisory fee from the corporate trustee fee. As a result, clients receive much clearer insight into what they are paying — and often a lower total fee as well.
In general, fee schedules for directed trust companies fall in a range from 0.50 percent to 0.75 percent on the first $1 million, and then drop according to varying breakpoints thereafter. Minimum annual fees range from $4,000 regardless of asset level, although some types of trust start in the $1,500 range. A few vendors will charge a flat fee for any amount of assets. Additional fees may apply for real estate held in trust, estate settlement and termination fees, tax preparation and/or filing, or miscellaneous extraordinary services.

Note: The IRS has ruled that all corporate trustees are required to separately account for investment and administration fees. This is intended to remove the tax advantage of a "unitary" trust in which the entire trustee fee can be deducted, as opposed to a trust that charges separate fees and allows only partial deductibility of fees. Directed trusts already break out the fees in this way, but because this is a relatively new development, it gives you a good "talking point" in your negotiations with trust companies.

WHERE TECHNOLOGY CAN HELP

The right accounting platform can interface with the modern state-of-the-art portfolio management tools that directed and delegated advisors use today while incorporating your best tax optimization and rebalancing strategies. The investment architecture can now be truly open, working with any third-party or in-house alternative assets your platform supports.

Integrated multi-custodian data feeds allow the administrators of large trusts to track thousands of open investment positions, report market values and attribute performance with a minimum of delay and errors. This functionality, in turn, is what makes the very existence of smaller trusts possible.

A modern trust administrator may be able to share data with your customer relationship management system and provide other integration benefits. If this kind of efficiency matters to you, it's important to ask a potential partner whether you can get it.

But the primary advantage technology is bringing to the trust business is the elimination of paper. Moving the forms into secure paperless environments has been essential for a new generation of trust officers who can now give beneficiaries, grantors and investment advisors alike access to all necessary documents.

Forms can be sent out for fast electronic signature and then stored electronically as well for instant access. The faster the signature fields are populated, the faster distributions and other complex processes can move.

UNDERSTAND FIDUCIARY RESPONSIBILITY

A true directed trust arrangement is created when the person who is initially transferring the assets decides to require or "direct" the trustee to delegate the investment responsibilities to a registered investment advisor, stockbroker, financial planner or other family advisor.

In these cases, the trustee's fiduciary responsibility for the investments is formally reduced to the point where he or she is exonerated from all liability except in circumstances involving willful misconduct. Some states have slightly stricter requirements that force directed trustees to double-check that the advisor's decisions are truly suitable, while others take a more laissez-faire approach.

For most practical purposes, while the trustee retains some continuing liability for investment performance, in a directed trust arrangement, it is close to zero. Directed trust statutes formally define the separate duties and responsibilities of trustee and advisor. Both are appointed as fiduciaries, even if the advisor is not normally engaged in a fiduciary role. This separation of duties is called "bifurcation" in industry marketing jargon.

When a wealthy individual decides to use a directed approach for his or her trust, he or she generally appoints an existing advisor or advisory firm in the controlling document.

Specifics vary by state. Nevada, for example, provides for additional roles within the arrangement. Trust creators can appoint a "trust protector" who has the discretion to modify the trust in various ways to take advantage of changing rules or to direct the trustee to make — or withhold — distributions. Not surprisingly, these three-party arrangements are referred to as "trifurcation."

Remember, some states also allow the trustee to delegate the investment function to an outside advisor regardless of the trust creator's stated wishes. In these relationships, the trust essentially serves as an institutional client in a normal advisory practice.

Such "client" partners can be extremely attractive from a strategic perspective, since they provide both current fee income and referrals to additional clients — a win for everyone, and the exact opposite of the historical trust/advisor dynamic!

GLOSSARY OF TERMS

Asset Protection Trust: Any trust designed to protect property from potential creditors, court judgment or other legal liability.

Beneficiary: Person or entity entitled to receive benefits from a will, insurance policy, trust agreement or employee benefit plan.

Corporate Trustee: A trust institution serving as trustee.

Delegated Trust: An arrangement that allows the trustee to assign responsibility for managing the trust's assets to an outside advisor. (See also: Directed Trust.)

Directed Trust: An arrangement that allows the advisor to hand off the responsibility and burden of administering a trust to an outside corporate trustee but retain control over how the assets are invested. (See also: Delegated Trust.)

Directed Trust Company: Any corporate trustee that supports and encourages directed trust relationships. These companies are generally not interested in managing the assets themselves and so have little or no motive to replace existing advisors.

Dynasty Trust: While some states force trusts to terminate after a few generations, others allow trusts to operate for centuries or even, theoretically, forever. These long-lasting arrangements are known as dynasty or "perpetual" trusts.

Estate: The real and personal property of a decedent; a specific interest in property.

Fiduciary: An individual or entity in position of trust who has accepted the duty of acting for the benefit of another.

Grantor/Settlor: A person who transfers property, the creator of a trust.

Generation-Skipping Tax (GST): A tax levied on gifts to people separated from the donor by more than one generation: grandparent to grandchild, for example.

Irrevocable Life Insurance Trust (ILIT): Typically used to shelter an insurance death benefit from estate taxes and may provide liquidity to pay estate taxes and settlement costs. A trust is created, then the trust purchases a life insurance policy.

Irrevocable Trust: A trust that, by its terms, cannot be revoked or changed by the grantor.

Living Trust: A trust that is operative during the lifetime of the grantor, as opposed to a trust under will or a testamentary trust. Also known as an *inter vivos* trust.

Remainderman: The person who is entitled to an estate after the prior estate has expired.

Revocable Trust: A trust that by its terms may be terminated by the settlor or by another person.

Successor Trustee: Person or institution named in the trust document who will take over should the first trustee die, resign or otherwise become unable to act.

Trust: An entity that holds assets for the benefit of certain other persons or entities.

Trustee: Person or institution who manages and distributes another's assets according to the instructions in the trust document.

Uniform Trust Code States: Many states have attempted to streamline and standardize their trust rules by adopting these provisions as their model.

FIDUCIARY™ TRUST

Fiduciary Trust of New England • 1155 Elm Street, Manchester, NH 03101 • www.fiduciary-trust.com/for-advisors

WHY NEW HAMPSHIRE?
New Hampshire is one of the premier trust jurisdictions due to its progressive laws around:

- Directed trusteeships
- State tax advantages
- Asset-protection trusts
- Dynasty trusts
- Delegation of duties
- Efficient administration and modification of trusts

Unlike some other trust-favorable states, New Hampshire also has a dedicated trust court. This ensures that if issues arise, they are reviewed by judges with deep trust expertise and resolved quickly.

WHY FIDUCIARY TRUST OF NEW ENGLAND?
Together with our Massachusetts affiliate, we have been partnering successfully with financial advisors, attorneys, accountants and family offices for decades. Some advantages to working with us:

- **Talented Professionals** with 25 years in the business on average. We have sizable teams of legal, tax and other specialists to support our trust officers and clients.
- **Experience Partnering with Third-Party Advisors** in our capacity as directed or delegated trustee and/or custodian. We have over $5 billion in assets under these types of arrangements.
- **Quality Custody Services Available** enabling us to provide high-touch support to advisors and quality service to their clients. We also work with third-party custodians.
- **Flexible Range of Services** including directed trustee, estate settlement, tax, custody, investment management and access to donor-advised funds. We respect our partners and do not compete with them.
- **Integrity and Stability** as we are part of an independent firm owned by current and former employees, directors and clients, with a steadfast commitment to serving in our clients' best interests. We have been consistently profitable for decades and are focused solely on the wealth management business.

New business contact:
Michael Costa, President
Phone: (603) 695-4321
E-mail: mcosta@fiduciary-trust.com

States chartered in: New Hampshire

New Hampshire banking charter issued: 2014

Massachusetts affiliate charter issued: 1928

Average account size: $5 million +

Total assets under administration: $12 billion[1]

Custodians supported: Custody available through Massachusetts affiliate; third-party custodians may also be considered

Number of relationships with advisors: 100 +[1]

Fees (for directed trust services)

Annual minimum fee: $20,000
Fee scale: Fees are 25 bps to 40 bps based on assets and complexity

In-house experts[1]: 10 Juris Doctors and Masters of Laws, 3 Paralegals, 3 Certified Trust & Financial Advisors, 5 Certified Financial Planners, 10 Certified Public Accountants and other tax professionals

Trust accounting system: SunGard Global Plus

Supports directed trusts: Yes

Supports delegated trusts: Yes

Typical timeframe for acceptance of a new trust:
2 to 7 days

Marketing support includes: Consultation with Fiduciary Trust of New England experts, print and digital marketing material, white papers, sales pitch assistance.

[1]Measured group-wide, including our affiliate Fiduciary Trust Company (fiduciary-trust.com)

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