

# DIRECTED TRUSTS: TRUST BENEFITS WITH GREATER CONTROL

Families often choose corporate trustees to help carry out their estate plans by acting as a trustee, co-trustee or even estate executor. Corporate trustees have the experience, knowledge, and in-house expertise to effectively carry out the necessary duties associated with these roles. As perpetual entities, if one trust officer becomes unable to serve, another will take their place assuring that there is never a vacancy in the fiduciary position, which can be disruptive. Lastly, given that corporate trustees are regulated as banks, they must have policies, procedures, capital, and insurance to cover errors providing additional piece of mind.

However, a corporate trustee's policies that define the bounds of investment prudence can have the potential to run counter to a trust creator's (grantor's/trustor's) intent. Trustees are treated as fiduciaries and are bound to certain investment policies, including limitations for holding concentrated assets. What if the grantor of a trust wants to ensure that a certain family asset is not sold? What if the grantor would rather have a family member or other trusted party determine which assets to hold or not? That is where a directed trust can be the best of both worlds with professional expertise and flexibility.

Directed trusts allow a trust grantor to give a non-trustee the power to direct the trustee on specified administrative activities. This includes the power to direct distributions, trust investments, or other administrative actions. As a result, families can utilize a corporate trustee like LPL's affiliate, The Private Trust Company (PTC), but still have a family member or other trusted party control certain aspects of the trust, such as what assets it holds.

Increasing demand for this added flexibility has compelled a growing number of states to adopt direct trust statutes. In fact, California just adopted its Uniform Directed Trust Act (UDTA) effective January 1, 2024, joining Arkansas, Colorado, Connecticut, Florida, Georgia, Indiana, Kansas, Maine, Michigan, Montana, Nebraska, New Mexico, Ohio, Utah, Virginia, Washington, and West Virginia in UDTA adoption.

If you'd like for this additional level of flexibility to be part of your estate plan, consult with your estate planning attorney. Also consider using a corporate trustee with extensive experience dealing with directed trusts. Contact your LPL financial professional for more information.

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