

# A Matter of Trust

*As wealthy families develop long-term legacy plans, the importance of choosing the right individual or corporation to perform the necessary fiduciary duties cannot be understated. Even carefully thought-out plans can go awry if those charged with seeing them carried out fail to meet expectations.*

At Bessemer Trust, we understand that acting on behalf of our clients is a tremendous responsibility. Earning the role of trusted advisor to the families we serve is an honor requiring our deepest commitment. Founded nearly 100 years ago as the family office for Henry Phipps, Bessemer Trust has extensive experience with complex estates and trusts that span multiple generations. We remain privately owned and singularly focused on providing comprehensive wealth management services for families. Bessemer's unique structure has resulted in an independence and organizational stability enjoyed by few firms today.

Evidence of our commitment to providing superior fiduciary services is the caliber of our Legacy Planning team. Bessemer's reputation attracts top-tier talent, allowing us to build a dedicated team of professionals, including lawyers, accountants, and trust specialists. Together with your Client Account Manager, our legacy planning specialists are available to work with you, your attorney, and other advisors to develop and carry out your estate plans. Our fiduciary services include:

- Trust Management (in the role of trustee or co-trustee)
- Estate Administration (in the role of executor or co-executor)

## **Trust Management**

Establishing trusts to transfer assets from one generation to another is a central component of many long-term legacy plans. Yet trusts — and the laws that govern them — are often complex, making it challenging to extract the full benefits they offer. Successful trust management requires not only sophisticated knowledge of the legal issues involved but also a thorough understanding of the goals the trust was set up to accomplish.

In simplest terms, a trust — one of the oldest legal structures known — involves a grantor contributing assets into a legal entity held and managed by a trustee for the benefit of the trust's beneficiaries. In practice, there are numerous variations in trust structures that are designed to accomplish various goals. Examples include Revocable Trusts, Marital Trusts, Generation Skipping Trusts, Grantor Retained Annuity Trusts, Charitable Trusts, and many others. Working closely with families and their advisors, we strive to understand each client's unique situation and provide tailored, proactive assistance in identifying the trust structure that best meets their needs.

In our experience, trusts are most successful when the grantor, trustee, and beneficiary have a clear understanding of their role in the trust structure and fulfill their responsibilities in a thoughtful manner.

While a trustee can be a friend, business associate, or family member, there are several advantages to selecting a corporate trustee. Compared to a non-professional trustee, corporate trustees are typically better suited to deliver objective, solution-oriented advice in a tactful, dispassionate manner. As the interests of current and future trust beneficiaries can often be at odds, trustees must be capable of making difficult decisions and mediating disputes that may arise between beneficiaries.

In many cases, a grantor may want both an individual and a corporate trustee to work together, with the individual trustee providing oversight and insight into the family dynamics. This structure can work well for all parties involved.

As a trustee or co-trustee, Bessemer Trust can be responsible and accountable for:

- Safeguarding and valuing trust assets;
- Overseeing asset allocation decisions and investing the trust assets;
- Evaluating and making distributions, either mandatory or discretionary, based on the wishes of the grantor;
- Maintaining regular communication with the beneficiaries and interested parties;
- Handling all record-keeping; and
- Preparing and filing tax returns.

### Roles Within A Trust

#### The grantor determines:

- The amount the beneficiaries should receive;
- The timing of the distributions;
- The manner of distributions:
  - Mandatory (e.g., trustee must distribute net income quarterly and principal at attained ages)
  - Support or Ascertainable Standard (e.g., trustee may distribute income and principal for maintenance, education, support, or healthcare)
  - Fully Discretionary (e.g., trustee may distribute income and principal as trustee deems best)
- The manner of taxation (e.g., the trust, grantor, or beneficiary may be responsible);
- The most suitable individual or corporation to act as trustee and successor trustee.

#### The trustee should:

- Understand the purpose of the trust and the terms of the trust instrument;
- Understand the potentially competing interests of the current and future beneficiaries;
- Make reasonable investment decisions based on investment horizon, tax implications, and the return/risk profile of the beneficiaries;
- Make distributions in accordance with the grantor's intentions;
- Seek professional investment, legal, and accounting assistance, as needed;
- Understand the changing needs of the beneficiaries and try to address their needs to the extent possible consistent with the terms of the trust.

#### The beneficiaries should:

- Understand the terms of the trust and the intentions of the grantor;
- Understand that the role of the trustee is to carryout the grantor's intentions and that the trustee's powers are constrained by the terms of the trust;
- Monitor the administration of the trust and the adherence to the terms of the trust;
- Engage in open and honest discussions with the trustee.

As an administrative or “directed” trustee, Bessemer Trust Company of Delaware, N.A. can be instructed to perform only those tasks as trustee that the family wishes. Usually, this means Bessemer would serve as trustee but take investment directions from a designated Direction Adviser. However, occasionally the family also wants the Direction Adviser to make distributions or other decisions — all of which can be accommodated through Delaware law.

Bessemer Trust has in depth experience with non-traditional trust assets. We are willing, as trustee, to monitor concentrated stock positions held in trust. As trustee, we are also willing to monitor a closely-held business position using the capabilities of our Family Company Advisory Group. The Group offers a broad range of advisory services and transition expertise including assisting with: 1) strategic planning, corporate governance assessment, and succession planning; 2) valuation analysis, strategic transitions, initial public offerings and other capital raising alternatives to generate liquidity while retaining family control; and 3) partial or complete family exits through strategic partnerships, divestitures, or the sale of companies.

In any case in which Bessemer is asked to serve as trustee of a concentrated position or shares of a closely-held company, Bessemer Trust Company of Delaware, N.A. would qualify as the trustee, and appropriate language in the governing instrument would be required in order to

take advantage of Delaware's support for grantors' intent in this area.

Bessemer Trust Company, N.A. is authorized to act in most jurisdictions. In addition, we have trust companies for different tax or other purposes in Delaware, New Jersey, Florida, California, Cayman Islands, and the United Kingdom. All of them draw on the best thinking and resources of the entire firm, including legal and investment expertise. Our team structure helps ensure that all aspects of your wealth situation will be considered.

### Estate Administration

As a family's wealth grows, their estate plan often becomes increasingly complicated. Establishing a clear and comprehensive Will — and selecting an executor to carry out those wishes — is an important step in the preservation of family wealth.

An individual or corporate executor assumes responsibility for your financial affairs after your death, including making sure debts and estate tax obligations are settled and your assets are distributed in accordance to your Will. The administration of an estate is time intensive and it will likely involve making a number of complicated investment and tax decisions at a critical and emotional time for a family. While a close relative, family friend, or attorney can serve in this role, a corporate executor has the professional skills, time, and objectivity to attend to your estate in a timely, efficient manner.

As an executor, Bessemer Trust will act as a personal counselor to your family and as an advocate of your rights by fulfilling the following obligations:

**Defending Your Interests.** We will be a steadfast proponent of the wishes expressed in your Will—including vigorously defending them against anyone who may contest them.

**Protecting Your Property.** We will work to protect your real estate and personal property from loss and liability. Bessemer will carefully inventory and arrange for the appraisal of your furnishings, artwork, antiques, and jewelry so that your beneficiaries will not only receive precisely what you intended, but also will understand the quality and value of what you have given them. If an asset sale is necessary, Bessemer can determine the most suitable marketing approach and negotiate the terms of any sale. Bessemer retains in-house real estate specialists with many years of experience in the purchase, management, and sale of real property interests. We have experience working with leading outside experts on other types of assets that are often part of clients' estates such as art, antiques, vintage cars, and unique collections of objects.

**Making the Right Decisions.** We will gather your financial assets so they may be reviewed and analyzed by our investment specialists to help ensure that appropriate decisions are made in the context of your testamentary directions and the liquidity requirements of your estate.

**Holding Unique Assets.** Bessemer has in-depth experience in holding closely-held family business interests in fiduciary capacities. We are willing to administer these types of assets as part of an overall estate.

**Planning for Taxes.** Our tax specialists will ensure that all Federal and state estate and income tax returns required in the settlement of your estate are filed in a timely manner to help your estate receive the benefit of all appropriate tax elections and deductions. Bessemer will defend all appropriate valuations against potential IRS challenges.

**Distributing Assets Promptly.** Bessemer will distribute the assets of your estate as promptly as possible in accordance with your directions, whether that involves outright distributions to your beneficiaries or the funding and management of trusts established by your Will.

For families wishing to include a family member or other trusted advisor in the administration of an estate, Bessemer Trust welcomes full partnerships with co-executors.

#### **Building Lasting Relationships**

Bessemer Trust's mission is to help clients manage their wealth so that it has a positive, lasting impact on their lives and those of generations to come. As we help families navigate the diverse complexities of wealth, we strive to deliver objective, solution-oriented advice. To learn more about Bessemer's fiduciary services, please contact your Client Account Manager or your local Bessemer Trust office.

Atlanta • Cayman Islands • Chicago • Dallas • London • Los Angeles • Miami • Naples  
New York • Palm Beach • San Francisco • Washington, D.C. • Wilmington • Woodbridge

**Visit us at [www.bessemer.com](http://www.bessemer.com)**

Copyright © Bessemer Trust Company, N.A. All rights reserved.