

Role of the Trustee

FIDUCIARY CONSULTING

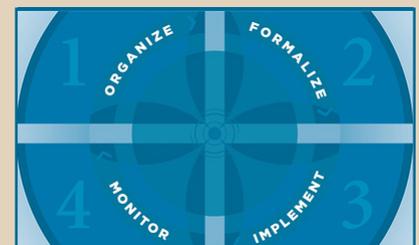
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A trust is a legal relationship in which someone gives property to another (the trustee) who holds it for the benefit of others (the beneficiary or beneficiaries). If you are a named trustee, you have been given responsibility for managing the assets of the trust. Before you accept the responsibilities of a trustee, it is important to understand what this role entails. Much like the president of a company, the trustee of a trust is handed a “business plan” in the form of a trust document. The trustee’s job is to manage the trust assets in alignment with the written trust document. Failure to do this is potentially a breach of fiduciary duty and may subject the trustee to a variety of undesirable consequences such as lawsuits from beneficiaries, legal action from the State Attorney General, or negative public relations in the local media. A trustee is required under law to operate with a fiduciary standard of loyalty and care. The fiduciary obligations of a trustee responsible for an investment portfolio are detailed and explicit. Many investors do not understand the definition of an investment fiduciary. Many fiduciary investors confuse investment performance with successful fulfillment of their fiduciary obligations. Even if you make a profit, you could still be at risk for breaching your fiduciary duty under the law. *The Prudent Practices for Investment Stewards* handbook published by F360 can help you.

Prudent Practices Decision-Making Process

F360’s *Prudent Practices for Investment Stewards*’ decision-making process is grouped into four steps:

- 1. Organize:** Identify the applicable fiduciary investment laws that apply to your trust.
- 2. Formalize:** Develop the investment policy. The trustee must identify the time horizon for the portfolio, determine the risk level, prepare a schedule of the portfolio’s anticipated cash flows and expected liabilities, and develop a prudent diversification strategy that is in alignment with the time horizon and return objectives. Once the policies are in place, the trustee must create a formal Investment Policy Statement (IPS).
- 3. Implement:** The trustee must execute the Investment Policy Statement and choose service providers.
- 4. Monitor:** The portfolio must be reviewed regularly and compared to benchmarks aligned with the IPS.



Prudent Practices for Investment Stewards (f360.com)

The role of trustee may seem like a daunting task. An investment management consultant can help you:

- Evaluate your current fiduciary practices and recommend actions that address risk areas and help ensure compliance with applicable state and federal law.
- Create and maintain a comprehensive investment policy statement that documents all of the processes and procedures that will be used to manage the trust portfolio.
- Analyze and optimize your portfolio’s asset allocation strategy to better align with the trust’s specific investment objective or the demographic needs of trust’s beneficiaries.
- Apply objective standards for evaluating and recommending appropriate investment options for your portfolio.
- Monitor and report performance of the trust portfolio on an ongoing basis and recommending changes when necessary.
- Serve as a resource for education and assistance to help you understand and fulfill your fiduciary obligations with greater confidence.

To help you to fulfill your obligations as a trustee, particularly in the investment decision-making process, you may find it useful to work with an investment management consultant who has earned the Accredited Investment Fiduciary[®] (AIF[®]) designation and is trained in the fiduciary best practices. The *Prudent Practices for Investment Stewards* handbook can also offer you assistance as you implement a prudent investment decision-making process to fulfill your fiduciary obligations under the law and demonstrate effective investment stewardship to any interested parties (F360.com).

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