

You've Been Named as a Trustee . . . Now What?

A Trust is a set of written instructions given by one person (known as a grantor) directing another person or institution (known as a trustee) to manage assets for the benefit of a third party (known as a beneficiary). A testamentary trust is created within the grantor's Will and takes effect when the grantor dies. A living trust is a created during the grantor's life and can hold and manage assets while the grantor is living. What should you do if you are named as a trustee?



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Obtain A Copy of The Trust Document

Each trust agreement is unique. Trusts vary greatly in the nature and extent of authority given to the trustee. Obtain a copy of the trust document to ascertain your rights and responsibilities as trustee.

Decide If You Wish To Act As Trustee

You are not obligated to act as a trustee. If you decline your appointment as trustee, the successor trustee, if any, may act.

Consult An Attorney

Before taking any action as trustee, consult an attorney. A qualified estate and trust attorney can review the trust document and provide legal guidance to ensure you act consistent with the terms of the law and the trust. Request a trust administration checklist from your attorney.

Seek Professional Investment Advice

You must prudently invest the principal's assets. Seek professional investment advice from a qualified advisor to minimize risk and secure a reasonable return on the trust investments.

Establish Your Authority As Trustee

To establish your authority as trustee, provide third parties (such as banks, government agencies, and financial institutions) with a trust certificate prepared by your attorney.

Manage And Distribute Trust Assets

Following the grantor's death, some trusts distribute all assets directly to the beneficiaries immediately after the payment of creditors and the settlement of tax issues. Other trusts continue for a period of years following the grantor's death. During this period, the trustee manages and uses the trust assets for the benefit of the beneficiaries.

Avoid Self-Dealing

Illinois law prohibits trustees from acting in their own self-interests. As trustee, you must act only in the best interests of the trust and the trust beneficiaries and avoid any actions which benefit you personally. But you may receive reasonable compensation for your services as trustee, if the trust authorizes such compensation.

Do Not Co-Mingle Assets

You cannot combine your assets with the trust's assets. You are required to maintain separate bank and investment accounts in the name of the trust with you noted as an trustee.

Contact An Accountant

Contact an accountant to obtain tax advice and prepare any necessary income tax returns. Maintain detailed records for tax purposes.

Consider Hiring Help

Most trusts authorize trustees to retain and pay attorneys, accountants and other helpers. Acting as a trustee can require considerable time and effort.

Keep Records

Keep written records of all your actions as trustee. For example, retain copies of all receipts, deposits, and withdrawals from bank and investment accounts.

Reimburse Yourself

You are entitled to reimbursement for out-of-pocket expenses incurred while acting as trustee. Keep written records of your out-of-pocket expenses and reimburse yourself regularly.

Consider Compensation

Compensation is not mandatory but you are entitled to reasonable compensation for your services as trustee unless the trust limits or restricts compensation. Document the time you spend acting as trustee.



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