Choosing a Fiduciary: It's a Job, Not a Reward
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We spend about 45 years working to amass a nest egg to provide for our retirement and to leave a legacy for our family. That's approximately 85,000 hours at work. Why then do we spend so little time deciding who will manage our nest egg after we become incapacitated or die?

The decision of who will serve as personal representative of your estate or trustee of your trust (collectively your "fiduciaries") is one of the most important decisions you will make during the estate planning process; yet this decision is often made without much consideration. There are many alternative strategies on how to decide who will serve as your fiduciaries. You may decide to name a single family member, trusted advisor, bank or trust company, or you may decide to name multiple fiduciaries to manage your estate and/or trust.

Selecting a Family Member to Serve as Your Fiduciary

It is very common for an individual to name a surviving spouse, child or other family member to serve alone as the fiduciaries. There are advantages to naming a family member, including the fact that they often will serve without charging a fee. Further, because they have a personal stake in the estate or trust and they may know some of the more intimate details associated with your family and assets, a family member may better understand your estate planning goals and objectives.

Naming a family member as your sole fiduciary may also have some significant disadvantages. For example, the person named may be overcome with grief, become ill or become disabled and be unable to act. There also may be conflicts among the beneficiaries, such as how to distribute and divide the assets, rivalry among siblings or, in the case of a second marriage, between the new spouse and the children. Finally, the individual may lack the time, organization or ability to serve as the fiduciary.

Selecting a Corporate Trustee to Serve as Your Fiduciary

An alternative to naming a family member is to name a bank or trust company to serve alone as your fiduciary or as co-fiduciary with a family member. Naming a professional or corporate fiduciary may have many benefits, especially when it comes to actually administering the estate or trust. Because of the considerable experience these corporate fiduciaries have with estates and trusts they understand the accounting, tax and compliance issues associated with the administration and therefore will often be more efficient. Further, because they don't have a stake or personal interest in the administration, a bank can be more objective and impartial when making decisions regarding distributions to beneficiaries. Finally, a corporate trustee will provide experienced and professional investment advice.

Naming a professional or corporate trustee also has some disadvantages, including the fees for their services and their investment decisions may be more conservative than the beneficiaries' desire. However, fees charged by a corporate fiduciary may be no more than an individual trustee pays to delegate the investment decisions to a professional advisor or hire a CPA or attorney to assist with the income tax issues. Moreover, conservative investments may not be a bad thing.

In making decisions regarding fiduciaries, it is important to select someone who is financially responsible, stable, trustworthy and organized and has enough time to handle all responsibilities. All too often, this decision is based solely upon the desire to avoid fees charged by professionals, banks or trust companies. However, when selecting a fiduciary it is important to think of the appointment as a job, not a way to reward (or punish) that person. The question to ask is, would you hire that person to run your business or your household while you're alive? If not, why put them in charge after you're gone?