

- Many Americans create trusts as part of their family estate plans
- A “trust check-up” can help a trust survive difficult economic times
- Among the issues to consider: the need to change a bank or other corporate trustee, or to review the trust’s current investments for important changes

Trusts May Need Help to Survive Uncertain Economic Times

It is clear to most people that our economy is suffering. Banks have failed, been purchased or been bailed out by the government. The number of foreclosures has increased, when compared to recent years. And it is difficult to know which kinds of investments are good, and which are not. These current economic issues can also affect trusts.

Many Americans create trusts as part of their personal family estate plans. In some states, revocable or “living” trusts are common devices used to avoid probate or estate administration. Attorneys may recommend using irrevocable trusts to avoid certain kinds of taxes or to hold specific kinds of assets.

These trusts are just as vulnerable to the economy’s woes as are the individual accounts of their owners. A trust check-up, to spot issues related to your trust, may be in order. Some of the issues to look for:

Does your trust name a corporate trustee, and who is it? Banks and other financial institutions are types of corporate trustees. If your trust names a corporate trustee, review the trust to determine who the current trustee is. Since some banks have changed hands, the corporate trustee of your trust may also have changed. A change in corporate trustee is not necessarily a bad thing, especially if the new trustee is more stable financially. However, if you are unhappy with new current trustee, you may wish to consider naming a new trustee.

On the other hand, your trustee may be unchanged. Even if this is the case, your trustee may be one of the many entities that have been bailed out by the government in recent months. Or, you may be concerned about your current trustee’s financial stability. A careful review will help you to determine whether your trustee is financially stable, or if it is struggling to survive. And this will help you to decide whether the current trustee is acceptable to you, or whether to make a change now.

In either case, remember that an attorney will also need to review the trust. Some trusts have specific rules regarding a change of trustee. An attorney can determine if a change can be made, and how that change will be accomplished.

How are the assets of your trust currently invested? If you do not know the answer to this question, you should find out immediately. Financial advisors differ with regard to which investments are appropriate for the current economic climate. However, some investments are clearly more appropriate than others are. Ask your financial advisor to

review the investment of trust assets to determine if they are properly invested, or if changes should be made.

In addition, if the assets of the trust have decreased significantly, review the trust's earning power to determine whether the trust is still reasonably able to support a corporate trustee. Corporate trustees provide a valuable service, but this service has a cost. If your trust is no longer earning enough to support the services of a corporate trustee, consider changing the trustee or the investments, or negotiate a lower fee, if possible.

Trusts are like individuals. With a little attention and assistance, it is possible to weather difficult economic times with success.