



PERSONAL TRUST & ESTATE SERVICES

THE ROLE OF THE TRUSTEE

Responsibilities and Liabilities

A trustee's responsibilities encompass a unique combination of personal care, financial management and tax compliance. It is a role with significant fiduciary authority, responsibility and, ultimately, legal liability for the financial welfare of trust beneficiaries. Most trusts will require the trustee to devote significant time and effort over many years, working with many professionals, while maintaining detailed records.

If you are naming an individual to serve as your trustee, or if someone has asked you to serve as trustee, you should consider carefully:

- The related responsibilities;
- The prospective trustee's qualifications and willingness to serve; and
- Whether the trust could benefit from the services of a professional trustee or co-trustee like Northern Trust.

The following is a summary of what is expected of a trustee. Depending on the terms and holdings of the trust, the trustee will assume many or all of these responsibilities.

Legal Obligations

- Assumes legal responsibility for the proper administration of the trust.
- Investigates claims against the trust and opposes invalid claims in court.
- Seeks legal counsel when needed.
- Complies with all applicable statutes.

Accounting and Administration

- Establishes bookkeeping procedures.
- Inventories and changes titles of assets.

- Pays bills.
- Performs ongoing accounting.
- Submits records for independent audit.

Investment Management

- Develops an investment strategy suitable for the grantor and beneficiaries.
- Implements an asset allocation tied to the investment strategy.
- Reviews assets regularly for quality and performance.
- Makes timely and thoughtful adjustments to the portfolio.
- Schedules transactions to minimize taxation.
- Arranges for daily investment of cash.
- Provides regular portfolio summaries.

Securities Custody

- Promptly collects all assets and related income.
- Tracks dividend notices, bond calls and maturities.
- Acts on stock warrants and subscription rights.
- Maintains detailed records of all assets and transactions.

Tax-Related Responsibilities

- Considers and implements appropriate strategies to minimize taxes.
- Documents asset acquisition dates, cost bases and adjustments.

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- Keeps records of taxable income.
- Files annual trust tax returns.
- Furnishes information for beneficiary tax returns.

Duties to Beneficiaries

- Communicates regularly.
- Makes income payments.
- Distributes principal with discretion.
- Provides detailed account statements.

Real Estate

- Arranges for the security, insurance and maintenance of personal residences and other real estate.
- Investigates the status of taxes, assessments and liabilities against the property.
- Obtains appraisals, titles, deeds and abstracts.
- Facilitates transfer of property to beneficiaries or new owners.
- Secures management and accounting services (for income-producing real estate).
- Certifies compliance with all applicable regulations, including those for environmental protection and accommodations for the disabled.

Appropriate Management of Diverse Assets

Virtually any type of asset can be placed in trust – and every type must be managed differently. The trustee must provide appropriate management for all trust holdings, from the commonplace to the unusual.

Conventional Financial Assets. Cash, securities, options, commodities, debts owed to the

grantor, insurance and employee benefit proceeds, deferred compensation, and other commonly held assets fall into this category.

Unique Financial Assets. Copyrights, patent rights, royalties, mineral rights, partnership interests, farm or ranch holdings, oil and gas interests, and other unique assets require specialized management by the trustee.

Business Interests. The trustee must provide management, valuation and consulting services for any business interests held in trust. If the business is to be sold, the trustee must see that this is carried out under the most favorable terms possible.

Personal Property. The trustee must appraise the value and ensure the security of all assets held in trust until their distribution or sale. This may include family heirlooms, artwork, household furnishings, vehicles, collectibles, jewelry and other possessions.

Estate Settlement

- Makes sure the requirements of the courts and taxing authorities are met.
- Prepares federal estate tax, final income tax, gift tax and generation-skipping tax returns as required.
- Investigates and discharges obligations to creditors.
- Determines final distributions in keeping with the trust agreement.
- Arranges final transfer of assets.

HOW TO FIND OUT MORE

Northern Trust would be glad to answer your questions about the responsibilities and liabilities of the trustee, as well as the resources that we extend as trustee or co-trustee. Please contact your relationship manager to learn more.

The foregoing discussion is general in nature and is intended for informational purposes only. Because the facts and circumstances surrounding each situation differ, you should consult your tax advisor, attorney and estate planning professional before making any changes to your estate plan.

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