



WEALTH PLANNING BASICS

Selecting a Trustee in Your Estate Plan

As you plan for your estate, one important decision you'll have to make will be your choice of trustee. This is also often one of the most challenging choices.

Your trustee holds legal title to the assets in your trust and has a responsibility to act in the best interests of the trust beneficiaries. They must follow the instructions in the trust document as well as the rules laid out by state and federal laws. Unlike a personal representative or executor who may serve for one to two years, a trustee may serve for a much longer term.

If you have a revocable trust, you will probably serve as trustee during your life, but you will also need to name a successor to take over after you die or if you become incapacitated. Many people wonder if they should choose a family member or close friend, or whether they will be better off with a professional trustee. Each of these options has its advantages and disadvantages.

Choosing Family or Friends as Trustees

A family member or friend may be more likely to understand your wishes and family dynamics. In addition, a family member may charge little or no fee. At the same time, they may lack the skills to carry out this role. If there are disagreements between the trustee and the beneficiaries, family relationships can be strained.

If the trustee is also a beneficiary, then the trust must be carefully drafted to avoid any adverse income or estate tax consequences. Finally, if the trust is intended to last for generations, the trustee will need a successor, or successors, to take over in the event of death or disability.

Choosing a Corporate or Professional Trustee

A corporate or professional trustee will have the expertise to manage the trust and handle the administrative details. In addition, they can deal objectively and unemotionally with the beneficiaries.

A corporate trustee will not die, which provides continuity.

One drawback is that a corporate trustee may charge a fee, while a family member may not. Furthermore, the trustee may not know your beneficiaries very well and may act more conservatively than you would have intended. However, this may be less of a factor if you choose a trustee with whom you have a relationship so that they understand your wishes and can carry them out.

Making the Decision

Your decision will depend on a variety of factors. In some cases, especially if the trust is large, grantors will name a family member and a corporate trustee as co-trustees to get the best of both worlds.

It is also important to consider the goals of the trust, along with its size, expected duration, and the types of assets it will hold. For example, a complicated trust that is expected to last for generations may mean that a professional trustee is more suitable. You should also consider whether you have an individual in mind whom you can trust completely, and how they would negotiate family dynamics.

As you make this decision, pay attention to some of the provisions in your trust that relate to your trustees. You may think some of the sections in the back of the trust are unimportant or are standard, boilerplate language, but these sections can have significant consequences. Read them and know what they entail.

You should review who has the power to remove trustees and appoint successors after your death. If you have multiple trustees, the trust should specify how decisions are made when trustees disagree. If you do choose a family member or friend, the trust should give that individual the authority to hire professionals to assist them.

Ultimately, your choice of trustee is a personal decision, and there is no one right answer for everyone. For this reason, it is important that you take the time to make this decision thoughtfully and intentionally. By making your wishes regarding your successor clear, you can help clear the path to a smooth transition for your beneficiaries.

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