Trusts at LNWM: Creating a Foundation for Success

By Lee-Norah Sanzo

LEE-NORAH SANZO

Lee-Norah Sanzo is a Senior Director, Client Services at Laird Norton Wealth Management. She has more than 30 years of experience in wealth management and private banking, with most of her career focused on trusts and estate planning.

In the next two decades, more than $70 trillion in inheritance is expected to be passed down to family members or charities in the United State, much of it likely through various types of trusts. How well those trusts achieve their purpose will vary greatly, depending on how well they are structured and managed.

At LNWM, we believe that the creation and management of trusts should never be strictly transactional, akin to a private ATM for dispensing assets. Trusts at LNWM are grounded in relationships forged with our clients (who are usually the trust creators), their family members and other beneficiaries, and their outside advisors, including sometimes their business partners. Having worked on trusts for more than two decades, I have seen that for trusts to work well, especially over many generations, assets, aspirations, abilities, and even unspoken fears and concerns for the future all need to be addressed.

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Below I describe the ways we work with clients, their families, and their outside advisors to put in place trusts that function as intended often over many generations.

1: Exploring What a Trust Can Do for YOU

Your specific needs and goals should determine the type of trust. There are many inherent benefits to transferring ownership of assets to a trust (see box at right). The tricky part is deciding what type of trust will work best for your given situation and defining the terms of the trust. This revolves around two foundational questions:

1. Whom do you want the trust to benefit, how, and when
2. Which assets will you put in the trust and when

Our in-house trust and estate planning experts work closely with LNWM advisors to help our clients answer these key questions. Well-thought-out answers take time and lay the foundation for future success.

What a Trust Can Do

Depending on its structure, a trust can do all these things.

- Allow you to control which assets go to whom, when, and how
- Safeguard assets from creditors and unintended beneficiaries such as ex-spouses
- Take assets out of your estate for tax purposes
- Keep assets and the terms of their distribution private
- Keep assets out of probate after you are gone

That is why we are not in any hurry at LNWM to rush clients into a trust or a particular type of trust. The process is akin to building a house. Lots of advance planning is required to make sure the structure will serve your needs for decades and even generations. Ultimately, it will not matter if your trust is making distributions in a timely manner if the money is being squandered by the people receiving it, or if the distribution levels are too high and deplete the trust or too low to be useful. The great thing about trusts at LNWM is that we advise you on how to customize the terms of the trust based on a thorough understanding of your situation and life goals. And LNWM as your trustee can then see to it that the terms are carried out as intended.

2: Advising the Attorney(s) Drafting the Trust Document

Trust documents should not be drafted without the end result in mind. LNWM trust and estate planning experts, knowing what you want to accomplish and how, will then work with your estate planning attorney. They will *collaborate* on which trust(s) will work best for your situation, the general terms of the trust, and whether the final document addresses all your wishes and concerns. This can save a great deal of time in drafting and more importantly, it assures that the final trust document is aligned with your finances, wealth plan, estate plan and legacy goals.

We also often work closely with clients' CPAs to determine which specific assets are best transferred to the trust and when, based on considerations such as tax levels, cash flow, legacy impact, and beneficiaries' needs.

3: Laird Norton Trust Company (LNTC) as Trustee or Co-Trustee

The trustee is critical to how well a trust performs in virtually all regards. Once any trust is created, a trustee must be named to administer and manage it. LNWM clients benefit from access to an in-house trust company (Laird Norton Trust Co. or LNTC), which has been operating since 1967. This allows us to manage each trust at the highest level of care and professionalism.

As the trustee, LNTC invests the financial assets within your trust according to an Investment Policy Statement (IPS) developed explicitly for the trust. Each trust's IPS reflects a specific level of targeted investment risk and return based on the intended longevity of the trust, desired distribution levels, your other sources of income and investments, as well as your wishes and concerns as grantor of the trust, such as a focus on impact investing.

One Trust, Three Clients

For each trust that we manage at LNWM, three different parties are involved:

The grantor(s) – person or entity who sets up the trust and funds it. This can be an actual client of ours, a court (if there is settlement) or an entity (business, nonprofit, LLC or partnership).

The beneficiary(ies) – person or entity that receives income from the trust.

The remaindermen – person or entity that gets trust distributions after the beneficiary.

Doing what is best for each party involved in a trust takes planning, coordination and experience dealing with family priorities and dynamics.

Over time, the trust can contain not just financial assets but also real estate, collectibles and shares of a business or partnership interests, some of which could be located in different states or outside the U.S. LNTC is able to manage a wide variety of trust assets, performing income collection, bill pay, accounting, tax reporting, and regulatory filings. In all the work we do for each trust, we abide by the fiduciary standard, which is to act in the best interest of the multiple clients each trust serves (see box on previous page).

4. Educating, Informing, Advising Trust Beneficiaries

A trust should be a positive force in the lives of the people and organizations it is intended to benefit. Making that happen is what I call bringing life to a trust, and a lot of that has to do with how we as the trustee or co-trustee work with the beneficiaries as they navigate opportunities and challenges in their lives. When the beneficiaries include nonprofit organizations, LNWM advisors can seek input from our in-house experts on philanthropy and asset management for nonprofits.

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It is extremely rewarding for us to see the beneficiaries of trusts mature and come into their own. We discuss their personal taxes (because trust distributions do impact personal taxes plus the Trust has its own tax filing), risk management, investment management, insurance, and also major life decisions if they ask: job offers/changes, starting a business, buying a house, prenuptial agreements. Our client advisors can draw on all of LNWM's in-house expertise to inform and educate the beneficiaries of the trusts we manage. And I think our clients value that and take comfort in knowing this level of care will continue for many generations.

Staying the Course

I hope you by now have an idea how we work with clients, their families, and their outside advisors to put trusts in place that allow hopes for the future to be realized and fears to be addressed and mitigated. Having started out as a trust company in 1967, LNWM has decades of experience advising on trusts and then managing those trusts over generations. If you want to explore what a trust can do for you and your family, please start by reaching out to your LNWM advisory team.

When Do You Tell Beneficiaries?

There is no easy answer as to when to tell family members and others that they are the beneficiaries of a trust you have created. Many of our clients choose to inform children/grandchildren early (teenagers and young adults) and involve us in preparing their young people to responsibly handle that inheritance.

There are state laws as to when a trustee must inform people that they are beneficiaries of a trust. In Washington State, trust beneficiaries must be informed on their 18th birthday; going forward, they are enrolled to receive all trust statements and documents sent out by the trustee. Also, should they enter into a prenuptial agreement, they must disclose that they are the beneficiary of a trust(s).

ABOUT THE AUTHOR

Lee-Norah Sanzo is a Senior Director, Client Services at Laird Norton Wealth Management (LNWM). She brings to her work extensive expertise in wealth planning, taxation, market analysis, and private banking, allowing her to use trusts to make the most of client assets now and for decades to come. She often works with multiple generations within families, educating and advising trust beneficiaries especially during times of change and transition.

ABOUT LAIRD NORTON WEALTH MANAGEMENT

Laird Norton Wealth Management ("LNWM") has long partnered with its clients to help them achieve their greatest impact through their investments, legacy planning and philanthropy. Founded in 1967, LNWM is both an RIA (registered investment advisor) and trust company, providing comprehensive and integrated wealth planning to individuals, families, business leaders, private foundations and nonprofit organizations nationwide.

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