

On Wealth: The modern evolution of the trust company

Jonathan M Wainwright

During the past decade there has been a significant shift in the ownership and structure of the private trust business that serves high net worth individuals and families in the United States and abroad. Two of the largest growth areas have been the proliferation of private trust companies, and the resurgence of privately owned boutique or bespoke trust companies that offer high-quality investment services together with an array of family office services.

Private trust company

A private trust company (PTC) is a privately owned government chartered entity which is primarily designed to provide fiduciary services to members of a single family. A private trust company differs from a family office in that a PTC can serve as a fiduciary under certain state or local laws.

Private trust companies often assume many responsibilities commonly performed by a family office, including investment advice and financial management, tax planning, accounting and bookkeeping services and recordkeeping.

Many high net worth families have differing reasons for establishing a PTC. The motivation often begins with the flexibility of the PTC to maintain privacy while adapting to the family's needs over time. In addition, a PTC offers the following benefits:

- As opposed to having an individual trustee, a PTC offers clarity of succession.
- A PTC provides a family with the continuity of a trustee that is knowledgeable about the family. The board of directors of the PTC may include family members and/or trusted advisers, and the PTC enables the family to preserve historical continuity.
- A PTC enables a family to have greater control over costs through ownership, involvement and decision making.

- A PTC permits a family to have greater control over its decision making. Families can choose board members, draft policies and procedures, and structure the organisation to suit their individual needs.
- A PTC allows families to be more involved in establishing investment policies and procedures. This level of involvement would not be permitted by most institutional trustees.
- A PTC permits a family to exercise more control over decision making with respect to closely held and family owned businesses and it can involve family advisers, including lawyers, accountants, investment managers and others who are most familiar with family assets.
- A PTC allows a family to have more control over the flow of information. A large institution is not usually involved in the day-to-day trust administration.
- A PTC better enables a family to integrate the next generation in administration of the family enterprise through involvement in board meetings, committees and decision making. This level of involvement is unlike that of a traditional trustee where family involvement is often limited.
- By acting as a director of a PTC, one or more of the settlors can achieve a substantial sense of control, even though there has been jurisdictional severance of the assets.

Boutique trust companies

Today's high net worth individuals and families are seeking personalised and high-quality services that may not be found in the larger institutional trust companies for a variety of reasons, and they may eschew the choice of a PTC. This need for personal service has led to the growth of a number of smaller high-quality boutique trust companies. These trust companies are often independently owned by a group of principals that may also include management and employees. Boutique trust companies offer high-end tailored investment services and personalised family office services to meet the needs and complexities of their wealthy clients.

These services often include:

- An integrated and centralised approach to long-term planning focused on family mission, governance and endowment, wealth transfer,

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asset protection and business succession planning.

- Personalised solutions to help ease administration burdens. Accountants, controllers and tax advisers work together to coordinate consolidating financial reports, managing expenses and budgets, bill payments, tax planning and tax compliance and concierge services.
- Checks and balances and added privacy with a separate entity interfacing with external service providers.
- Long-term financial savings achieved through cost efficiencies and purchasing power that result in best-in-class integrated strategies.
- Unbundled services customised and tailored for each family's unique needs.
- Extended financial support services with the goal of managing family risk.

- Administrative support for individual trustees, beneficiaries and settlors.
- Small but nimble administration with a low adviser to client ratio.
- Consistent and dedicated family office teams throughout the entire relationship from onboarding through servicing.

The menu of trust services available to high net worth individuals and families has substantially expanded in the past decade, allowing for greater flexibility and a higher level of support than has been available in the past 40 years. The emergence of the PTC and the resurgence of boutique high service trust companies offer high net worth individuals and families a far greater array of choices than was available 10 years ago.

Jonathan M Wainwright is a Senior Counsel of Cadwalader, Wickersham & Taft LLP. He is a director of Chilton Trust Company, LLC and of several family offices located in the United States and the Middle East.

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