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Family Business ⁽¹⁾

MENU

Choose the Right Trustee

By Mitzi Perdue

Choosing the right trustee for your estate will play a significant role in the happiness and well-being of those who come after you. However, in most of the cases I know of, the matriarch or patriarch simply chooses one of their children or perhaps another relative or a close friend.

The damage that can occur to family relationships when this haphazard approach goes wrong can be irreparable. It can harm the chances that the family enterprise will continue into the next generation.

An inappropriate trustee is all too often the cause of both friction and wealth destruction. To see why this is a danger, Thomas Waring of Family & Business Directions LLC tells the story of a family he is close to.

What can go wrong

We'll call the family the Whitneys, but the names and details are disguised to protect the family's privacy.

When George Whitney passed away, he left behind half a dozen children from three wives. One of his daughters, Sally, was a lawyer, and George had assumed her background in the law would make her the best executor of his estate.

In addition, George had seen that Sally was kind and regularly acted as the family's peacemaker. He knew that at heart what made Sally tick was her desire to be loved. George believed these personality traits would make his lawyer daughter perfect for the job.

George didn't live to see it, but Sally's agreeability and kindness turned out to be the source of massive family dysfunction. In her trustee role, Sally's relationship with her siblings had to change.

As trustee, she could no longer be the agreeable peacemaker. There were times when it was essential to make tough, unpleasant decisions. At times she needed to tell her siblings "no."

Psychologically, she couldn't do it. Her new role as trustee of her father's estate required her to act out of character.

When she needed to make necessary but unpopular decisions, instead of acting decisively, she'd immerse herself in tracking down one of the finer points of the law. To the rest of the family, those fine points seemed irrelevant.

Her dithering over unimportant things meant essential decisions weren't getting made, and the process of settling the estate began to seem never-ending. This was, of course, severely frustrating to her siblings.

As the settlement dragged on, members of the three family branches each hired their own lawyers. But, as happens too often, the conflict took on a life of its own. Soon, family members were selling precious and sentimental heirlooms to pay for their lawyers.

Eventually, with the help of outside advice, the estate was settled. However, the scars may take generations to heal.

Tom Waring watched this tragedy unfold. He wishes George Whitney had been wiser about selecting the trustee for his estate.

“With the right trustee,” Waring observes, “the whole thing could have been settled in one-third the time, and at one-third the cost, and with none of the rancor.”

What makes a good trustee?

What is the best strategy for selecting the right trustee for your estate? Waring’s friend Michael Klein of MK Insights LLC is an organizational psychologist who specializes in workforce selection and development.

He summarizes several of the key characteristics needed for a good trustee:

- High stress tolerance, important for managing conflict among beneficiaries.
- Low need for approval, important for delivering difficult messages.
- Tough-mindedness, important for carrying out plans in spite of roadblocks.
- High attention to detail, important in the case of complex trusts that may have several moving parts.
- Maturity, essential for dealing with people who are upset and grieving.
- Willingness to follow rules and procedures, important for dealing with legal challenges.

“Few understand that assessing these skills takes more than an interview or reference check,” Klein says. An approach he recommends involves using the same kinds of psychometric tools used by HR departments to assess not just skills and knowledge, but also abilities, attitudes and personality traits.

In light of the damage a poor trustee selection can cause to family relationships, choosing the right trustee may be among your most important and impactful decisions. Give this decision the time and the importance it deserves, and use the best tools you can find to help you.

Mitzi Perdue is a professional public speaker who talks and writes on family business topics. You can find her books on Amazon.com (<http://www.amazon.com>) or contact her at Mitzi@MitziPerdue.com (<mailto:Mitzi@MitziPerdue.com>).

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