

You were named as a

Custodian. Now What?

What the role means and how to prepare

Someone close to you has named you as custodian of a gift they are leaving to a minor or young adult. Being named is a meaningful expression of trust. It means someone looked carefully at the people in their life and chose you for a role that matters to them. It is also a responsibility worth understanding well before it is ever needed.

This guide explains what the role involves, the choices available to you, and a few practical steps you can take now so you are prepared if you are ever asked to serve.

> **If you were named as an alternate custodian,** you would be asked to serve only if the first-choice custodian is unable or unwilling to do so. The guidance below still applies, and a conversation with the family now is just as valuable.

How does a custodianship come about?

A revocable living trust, much like a will, provides instructions for how the person who created it, known as the grantor, wants property distributed after they pass away. When the trust leaves money or property to someone who has not reached adulthood, it may name an adult custodian to manage that inheritance until the beneficiary is old enough to receive it directly.

What is a custodian?

A custodian holds and manages a young beneficiary's inheritance for their benefit. Custodians are named for two practical reasons. Minors generally cannot own significant property in their own name, and a young person may not yet be ready to manage a large sum responsibly.

Custodianships are governed by each state's version of the Uniform Transfers to Minors Act, often called the UTMA, which sets out standard powers and responsibilities. Broadly, the custodian manages the inheritance and uses it as appropriate for the beneficiary's education, support, and health care.

The age at which the beneficiary takes control is set by the trust document and state law. It is commonly 18 or 21, and some states allow it to be extended to 25. At that point, the custodian turns

over whatever remains and the custodianship ends.

What are a custodian's duties?

- **Act solely for the beneficiary.** Custodians may not use the property for their own benefit.
- **Keep it separate.** The inheritance should never be mixed with your own money. A dedicated custodial account is the standard approach.
- **Invest prudently.** For a meaningful sum, investing with the beneficiary's time horizon in mind helps the gift grow rather than lose ground to inflation.
- **Keep good records.** Document every transaction made on the beneficiary's behalf.
- **Get help when needed.** Custodians may hire accountants, attorneys, and advisors, and pay reasonable fees from the beneficiary's property.

Many states also allow custodians to receive reasonable compensation for their work, paid from the property they manage. Custodians are not required to accept it.

Do I have to serve as custodian?

No. Being nominated does not obligate you to serve. If you decline when the time comes, an alternate named in the trust can take over, and the trust document may explain how a replacement is chosen. If you already know you would not want to serve, it is kind to let the grantor know now so they can name someone else.

What should I do now?

- **Talk with the grantor** about their hopes for the gift and how they would like it used.
- **Ask where the original trust document is kept** so you can locate it when needed.
- **Understand the timeline,** including the age at which the beneficiary will take control.

Let's plan for the next generation together

Helping families prepare for what comes next, across generations, is at the heart of our work. Whether you would like to talk through what this role could mean for you or you are ready to put your own plan in order, we would be glad to help.

Call 541-228-9924 **Email** nate@nwadvisory.com
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