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The Wilson Group at Morgan Stanley
Eric S. Wilson, CIMC®, Family Wealth Director

"What should my family consider when **establishing** or **reviewing a trust**?"

By Eric S. Wilson

PART II

In the August/September 2013 edition of *Worth*, my column challenged traditional thinking with regard to the management and administration of trusts. Based on the questions and responses I have received, my article seems to have touched a nerve with readers. Some were defensive, others inquisitive. So, with that as background, I called upon some of the unbundled trust administration providers and asked for any white papers they themselves may have written on the subject. What follows are excerpts, ideas and concepts from a white paper from Advisory Trust Company of Delaware entitled "Bundled Versus Unbundled Fiduciary Trust Administration." To receive a copy of the white paper in its entirety, feel free to email me.

Corporate trustees, whether bundled or unbundled providers, have the same fiduciary responsibilities under the terms of the trust. Most traditional institutional trustees bundle asset management with other trust services, touting them as the "best of all worlds." when often failing to attain best-in-class asset management. The management of securities portfolios has become a well-established and highly competitive business, and most corporate trustees are just not competitive players, either because they are not acting purely in the interests of the beneficiaries (including using proprietary products), or they are not focusing exclusively on quality investment management by using the best portfolio managers available. Thus, it would seem that "best practices" dictate unbundling this activity and engaging the best asset managers, and best independent custodian, at the best price available.

This lends itself to another family beneficiary benefit: continuity of the relationship manager. In the new paradigm described above, the family's existing investment advisor assumes the role formerly filled by the trust company's relationship manager. As anyone who has had a trust for any length of time can attest, the turnover in that role is high. This reduces continuity of thought as it pertains to the family's internal dynamics and governance structures and forces the family to let yet another individual "in on" the family's private affairs.

An important point is that even though the advisor manages the investments on a daily basis, the unbundled trust company does not relinquish its responsibilities over the investments in the trust. Rather, the advisor and trust company work together with the client family to develop a suitable investment policy statement and strategy dictated by the terms of the trust.

To tie it all together, think of it this way: As the beneficiary of the trust, are you better off having access to all of the investment management options in the industry, or just a fraction? Are you better served (and serviced) by a relationship manager who is an employee of the trust company custodian of the trust or by your own investment advisor with whom your family already has a relationship and who can act as an intermediary to the trust company? Do you obtain better pricing by being able to shop multiple trust companies for the services they provide while still being able to aggregate trust assets with non-trust assets for investment management costs?

It is my belief that the specialization of services through an unbundled arrangement would be best. Such an arrangement would combine "best of breed" portfolio management, offering several layers of protection and safeguards, with a "best of breed" fiduciary administration oversight, afforded by a corporate trustee. This trustee would specialize in such services. An effort would then be made to improve continuity by having the relationship manager also fill the role of investment advisor. Such continuity would provide beneficiaries of current trusts more trustee, administrative and investment flexibility than do traditional trust company arrangements.

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Eric S. Wilson is a Wealth Advisor with the Wealth Management division of Morgan Stanley in Macon, GA. The views expressed herein are those of the author and may not necessarily reflect the views of Morgan Stanley Smith Barney LLC, member SIPC, www.sipc.org. Morgan Stanley Financial Advisor(s) engage Worth to feature this profile. Eric S. Wilson may only transact business in states where he is registered or excluded or exempted from registration www.morganstanleyfa.com/ericwilson. Transacting business, follow-up and individualized responses involving either effecting or attempting to effect transactions in securities, or the rendering of personalized investment advice for compensation, will not be made to persons in states where Eric S. Wilson is not registered or excluded or exempt from registration.

"As the beneficiary of the trust, are you better off having access to all of the investment management options in the industry, or just a fraction?"

—Eric S. Wilson

How to reach Eric S. Wilson

Interested families may reach me with questions or with interest at 877.442.5445 *or* eric.s.wilson@morganstanley.com.

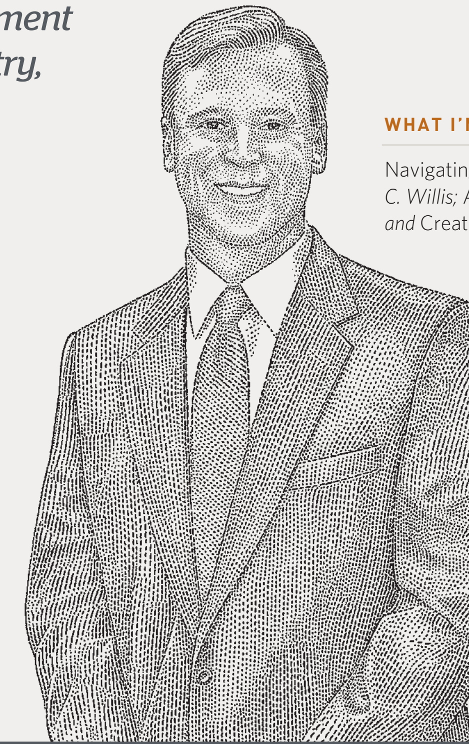

ILLUSTRATION BY KEVIN SPROULS

WHAT I'M READING NOW…

Navigating the Dark Side of Wealth, *by Thayer C. Willis;* After the Music Stopped, *by Alan Blinder; and* Creature of the Word, *by Matt Chandler*

WHAT MAKES A GOOD CLIENT…

A family that knows where it wants to go and is looking for someone to help them steward the product of their life's work.

MY HOBBIES ARE…

Playing tennis, reading, gardening and investing myself in my sons

About Eric S. Wilson

Eric S. Wilson is a wealth advisor and senior vice president at Morgan Stanley, and for the past 19 years he has served the varied needs of families whose wealth has the potential to change the essential nature of their descendants' lives. Mr. Wilson began his career at Merrill Lynch in 1994, where he served until joining Morgan Stanley in 2010. For his work with affluent and high net worth families throughout the southeastern United States, he has been specially designated at Morgan Stanley as a family wealth director. Achieving this prestigious designation meant adhering to stringent quantitative and qualitative requirements set forth by Morgan Stanley and now provides him with specialized and dedicated resources from around the firm, which benefits his clients by providing them with many of the same services offered by family offices. Mr. Wilson is a Certified Investment Management Consultant℠ (CIMC®) and an Accredited Investment Fiduciary Analyst (AIFA®). He proudly serves on the advisory boards of the Community Foundation of Central Georgia and Children's Hospital of Central Georgia and is a member of the Macon Estate Planning Council. He and his wife, Cindy, are proud parents of four sons, ages 12, 12, 12 and 5.

Assets Under Management
$1.8 trillion (Morgan Stanley Wealth Management, as of 3/31/13)

Minimum Fee for Initial Meeting
None required

Minimum Net Worth Requirement
$5 million (planning services); $2 million in investable assets (investment services)

Largest Client Net Worth
$25 million+ (as of 12/31/12)

Financial Services Experience
19 years

Compensation Method
Asset-based fees and commissions (investment and insurance products)

Primary Custodian for Investor Assets
Morgan Stanley Smith Barney LLC

Professional Services Provided
Planning, investment advisory and money management services, advanced wealth transfer planning and liability management

Association Memberships
IMCA, Fiduciary 360 (www.fi360.com)

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