



**The Wilson Group at Morgan Stanley**

Eric S. Wilson, CIMC®, Family Wealth Director

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# “What should my family consider when establishing or reviewing a trust?”

By Eric S. Wilson

In the April/May issue of *Worth*, my column posed the question “What is your wealth for?” Given enough time to consider the question, you will find that wealth can be used for only two things: freedom/functionality and protection/control.

In order for wealth to truly provide freedom, one must be “free” to lose it all. Many first-generation wealth creators are uncomfortable with that premise and have instead chosen to place assets for the next generation into multiple and different types of trusts, to maintain control. Simply explained, a trust is a pool of assets set aside for some future purpose. If you currently have one or more trusts in place, or are considering establishing one, the balance of this article will be to challenge your thinking with regards to how the trust relationship should work for your family.

When considering the management of a trust, there are many factors to consider, but pricing for the trust services ultimately comes down to two distinct functions: asset man-

agement and fiduciary. For example, Family A has XYZ Bank & Trust as the custodian and asset manager for the family trust. This type of relationship has an inherent conflict. For example, would XYZ Bank & Trust ever recommend its own termination as either the custodian (for poor service) or as the asset manager (for poor performance)?

In recent years, many forward-thinking families have sought to separate the fiduciary function from the asset management function, thereby gaining the best-in-class solution for each. The family is then able to evaluate the service provided by the fiduciary, versus the cost assessed by the fiduciary; and, if the occasion presents itself, to “shop around” for a new provider without fear of disrupting the trust’s asset management program.

Likewise, the family is now able to evaluate the investment performance versus its own goals, in the context of the cost of the asset manager; then, if the opportunity presents itself, the

family may “shop” the investment services provided by the asset manager without fear of interrupting the core fiduciary functions.

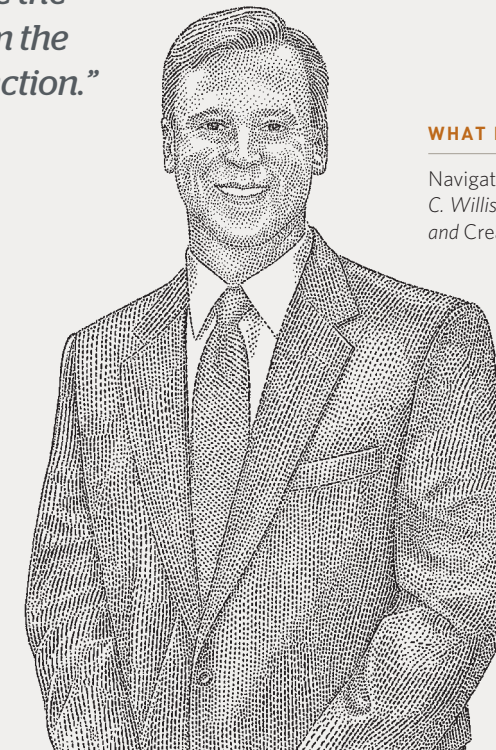
By separating out the two functions, the family gives itself the opportunity set of the best global resources, whether that means fiduciary or asset management, without regards to locality. In the past five years, we have held dozens of informational discussions with current and prospective client families to price the alternatives listed above. Some families chose to stay the course in spite of slightly higher costs while others chose to adopt the split function for their trust’s management, as described above. In both cases, however, the families gained better insight into the potential flexibility of the management of their trusts.

Just as with other areas of wealth management, the area of trust management has evolved over the past decade. Perhaps our thinking should evolve as well. ☺

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—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.

**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<sup>SM</sup> (CIMC<sup>®</sup>) and an Accredited Investment Fiduciary Analyst (AIFA<sup>®</sup>). 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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