

To: P&G Employees
From: John B. Cornetet, CPA, J.D., CFP 513-771-2444

Re: Fiduciaries in an Estate Plan

There are three fiduciaries in an estate plan. They are Guardian, Executor and Trustee. I will describe the role of each.

GUARDIAN

The Guardian in a Will is the person(s) appointed to take custody of the minor children. In most Wills, I name at least two levels of Guardians. If the first is unable to serve, the second will be appointed. If there is no Will or listed Guardian, the Probate Court selects a Guardian. The Guardian make all parental decisions. If the deceased parent does not have a Trust, the Guardian also manages the minor children's money. Probate Court supervises the management and distributions of the money from the Guardianship account. A Guardian typically does not get paid. However, the expenses of raising the child will be paid from the Guardianship account or Trust.

EXECUTOR

The Executor is the person(s) or institution who is responsible for the administration of the estate. The Executor: files the Will, gets appointed, secures and protects assets, pays bills, files an inventory, signs tax returns, collects insurance and retirement accounts and distributes money to the heirs listed in the Will. All of this work is under the supervision of Probate Court. The Executor must handle all problems of the estate such as Will contest, IRS audits and selling the deceased's business interest. The Executor can be held personally liable for errors and can be sued by the heirs, creditors and the IRS if mistakes are made.

In many of my estate plans, the spouse and then the adult children are the Executor. However, where a family member would not be capable or the selection of one child over another would create family problems, many clients will select an independent third party. This will be a bank, friend, or financial/legal advisor. If the person who you are considering doesn't manage their own affairs very well, they will not manage yours any better.

The Executor gets paid between 1% and 4% of the value of the estate. On a million dollar estate, the fee would be approximately \$25,000.

TRUSTEE

The Trustee role can be exactly like the Executor. If your Trust is funded, terminates at death and pays all Trust assets to the children, the roles are the same. If, however, your Trust stipulates a distribution plan such as 1/3 at ages 25, 30 & 35, income for life to a child with the remainder to a charity, or for my grandchildren's education, then the role takes on an independent significance. The Trustee must manage the Trust assets until the Trust terminates. Does the Trustee buy P&G stock or GM stock? Should the assets be held at UBS Paine Webber or at 5/3 Bank? Should mutual funds be used or a money manager? Also, the Trustee must make distribution decisions. What level of health, care, and support is necessary? Should the Trust pay for the grandchild to go to Harvard or UC?

You may select an individual, a group of individuals (Co-Trustees) or a bank to serve as Trustee. The advantage of the Bank or professional advisor is independent professional management. The disadvantage is higher cost. While an individual family member may not charge a fee, they have complete access to the Trust assets and their mistakes could cost the Trust.

A corporate Trustees generally charges about 1% - 2% per year as a fee.

John