SUPER-CHARGE YOUR MARKETING STRATEGY WITH TRUSTS:

YOUR GATEWAY INTO THE GROWING ULTRA-HIGH NET WORTH MARKET

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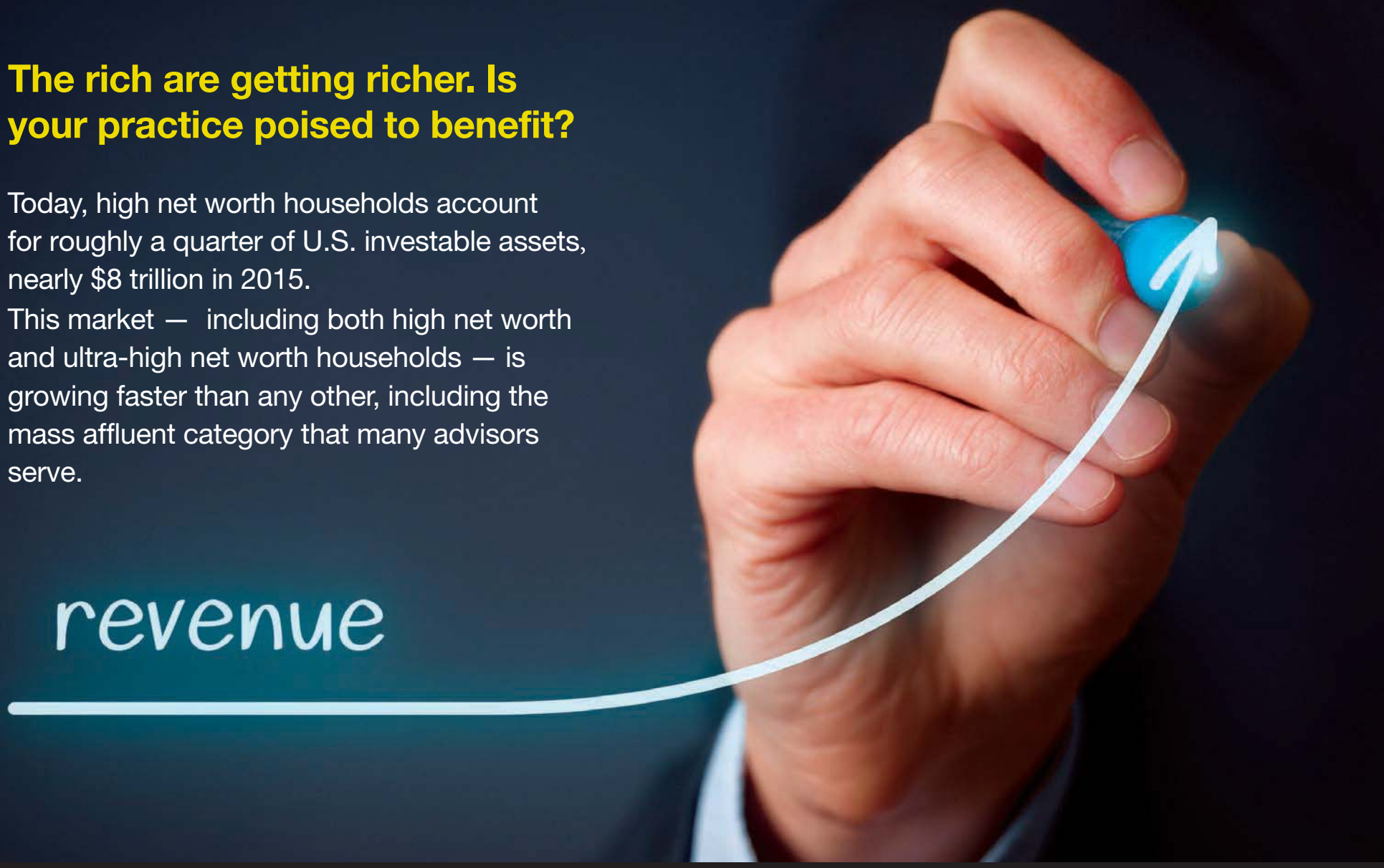
The rich are getting richer. Is your practice poised to benefit?

Today, high net worth households account for roughly a quarter of U.S. investable assets, nearly $8 trillion in 2015.
This market — including both high net worth and ultra-high net worth households — is growing faster than any other, including the mass affluent category that many advisors serve.



This strong growth means that, as an advisor, if you are not tapping into the high net worth and ultra-high net worth marketplace, you are running hard just to stand still. Still, how do you increase the number of these very valuable individuals and families that you serve? The high net worth market requires customized capabilities and high-touch service. But perhaps most significantly it demands sophisticated strategies to preserve and transfer wealth. If you are not offering trust capabilities to this market segment, you are not even in the game.

Hard data on assets under management in trusts is hard to find, but there is no question that they have become increasingly common for wealthy families and individuals. In 2014, the last year in which data was available, the IRS reported that more than 3 million trusts filed fiduciary returns, reporting income of nearly $142 billion.

Heidi Foster of American Wealth Management says that her firm offers trust services through an outside trust company, primarily as part of her firm's estate planning capability. "We have clients with many different trust structures both revocable and irrevocable. We use the trust companies for the administration, while we manage the investments. The most popular structure remains the revocable living trust. The more assets a client has the more complicated the estate planning becomes, which is when we will work hand in hand with the clients' attorneys and tax professionals to determine which trust structure or structures will work best for their individual circumstances," she says.

Foster says that offering trust services has been very important in attracting and retaining high net worth clients. "Having a knowledge on estate planning options for our clients and working with their other professionals allows our clients to feel confident that we can guide them throughout their lives and promotes confidence in their heirs as well. Our growth has been impacted by being able to maintain our relationships with our clients and their heirs," she explains. "Wealthier clients have confidence in our ability to work for their overall financial success because we not only focus on growing assets, but preserving their assets, protecting from taxes as appropriate, and assisting in transferring to the next generation. We help them in creating their lasting legacy."

What do I know about trusts?

Many advisors would like to add trust capabilities to their menu of services, but feel they lack the expertise in these complex legal structures. Trusts can be complicated and are subject to state laws in the jurisdictions where they are domiciled.

"Serving as a fiduciary requires an extra level of expertise beyond investment knowledge," says Leslie Smith, chief planning officer at Chevy Chase Trust. "There is a wide body of state fiduciary law, and both state and federal tax law, that applies to estates and trusts. It is essential to have a bench of professionals who understand these rules and administer estates and trusts in accordance with these rules and the governing wills and trusts. "

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Seven reasons to add trust services to your practice

Offering trust services gives you a streamlined way to attract new and wealthier clients. Here are seven reasons to develop trust capabilities:

1 Attract higher end clients

The wealthier your clients and/or prospects, the more likely they are to demand trust capabilities. If you do not offer trust services, you will be at a disadvantage when competing for their business. One survey found that only 22% of advisors serving clients with less than $1 million offered trust services. On the other hand, 70% of advisors serving accounts over $5 million offered trust services. If you want ultra-high net worth clients, trust capabilities are the price of admission.

2 Service multigenerational relationships

Your relationships with your existing clients are rock solid, but how well do you know their spouses, children, grandchildren, and other heirs? Dynasty trusts can give your clients a way to pass wealth from generation to generation without being subject to estate taxes and creditors. More importantly though, they connect you with the next generation of wealthy family members.

3 Increase asset stickiness

Financial advisors in the past have struggled with ways to hold on to business when their client dies. Typically, the next generation does not use their parents' financial advisor. How do you make client accounts stick into the next generation? One effective way is to discover who the successor trustee is on your client's trusts. If they have a friend, family member, or bank listed as successor trustee, you will most likely lose that account. You can increase asset stickiness by partnering with an advisor-friendly trust company that focuses strictly on trust administration, leaving the investment management to you.

4 Protect against creditors

Wealthy families' assets are a prime target for litigation. Unprotected portfolios can be decimated by successful judgments in favor of creditors including business partners, disgruntled staff or, in the event of divorce, an ex-spouse. Asset protection trusts may shield your clients' assets from legal judgments — and protect your book of business.

5 Deepen your value to clients by helping them express their values

Trust structures including charitable remainder trusts and charitable lead trusts enable your clients to give to charities in a tax-efficient way. Charitable lead trusts allow your clients to continue to own assets while the charity receives an income stream from them for a period of years. Charitable remainder trusts provide income to your client for a period of years with the charity taking ownership of the assets. Helping your clients support causes that are important to them through trust services can give you insight into their most deeply held values and increase the strength of your relationship.

6 Plan ahead for business succession

If your client has a family held business, an ILIT can be a valuable tool for business succession. Many clients' largest asset is the family business. It is not uncommon for one or more of the children to want to participate in the business while others may not be interested. If your clients' plan is to treat each one of their children equally there must be liquidity to buy out the childrens' shares that do not want to participate in the business. A properly structured ILIT can eliminate the possibility of a forced sale of the family business.

7 Differentiate yourself from other advisors

Not all financial advisors are confident offering trust services alongside more traditional services like investment management and retirement planning. However, your ability to meet clients most complex challenges – like intergenerational planning, asset protection, charitable planning, and business succession planning — can set you ahead of the competition.

The do-it-yourself approach, where you set up an in-house trust company to serve your clients requires significant capital and expertise. Capital requirements for new trust companies vary by state from a low of $200,000 in South Dakota to up to $1 million in Nevada. In addition, you would likely have to hire additional personnel including trust attorneys to offer these services.

One solution is to partner with an established advisor-friendly trust company. An advisor-friendly trust company allows you to outsource all the requirements of creating a trust company, including capital, information technology, specialized expertise, and a state or national trust charter, to a third-party provider, while maintaining customer accounts and relationships.

To many clients, a relationship with a trust company may make it look and feel as if their financial advisor has its own trust company. There is no interruption in custody, management, or trading. All communications come to the client from the advisor or the custodian just as they have in the past.

A good relationship with a trust company allows the advisor to outsource all fiduciary administration and risk. This includes trust reviews and interpretation, investing standards and suitability oversight, income and principal trust accounting, and tax accounting and reporting.

Retain control over client accounts

A good relationship enables your firm to access the best of both worlds — the continued control of client relationships that you would enjoy if you set up your own trust company, plus the cost-efficiency and sophisticated capabilities of using a dedicated third-party provider.

A third-party trust company has a fiduciary duty to make sure that all investment and administrative decisions are made in the best interest of your clients. If you do not provide appropriate investment management services, or if there is some dramatic negative event at your firm, the trust company will have to replace you. However, under ordinary circumstances, the trust company will not interfere with your client relationships. Brian Simmons, SVP/Trust Officer from Premier Trust states, "We work with the financial advisor to create an investment plan that works best for the client and then get out of the advisor's way. Our goal is to administer trusts, not manage money. The client has trusted their advisor for so many years, why should we interfere with that relationship or arbitrarily fire the advisor?

The right state makes all the difference

Trust laws vary from state to state and some types of trusts are permitted in some states and not others. For instance, only a few states permit self-settled spendthrift trusts where the grantor of the trust is also a beneficiary. Many others restrict the duration of multigenerational trusts. State income tax treatment of trusts varies from state to state, and there may be different rules regarding litigation of trusts. Make sure you are comfortable with the regulations and law in the state where your provider's trust company is domiciled because that is where all your clients' trusts will be domiciled as well.

The Nevada trust advantage

The state of Nevada has among the nation's most progressive trust laws, making it an ideal jurisdiction. Nevada has some key benefits:

Nevada allows for self-settled spendthrift trusts, commonly referred to as domestic asset protection trusts, which can shield assets from creditors. The recent Klabacka vs. Nelson Nevada State Supreme Court decision re-affirms the statute's protections even against alimony and child support claims. Many other states specifically exclude protection from these types of claims. Moreover, there is only a two-year statute of limitations placed on assets used to fund these trusts, one of the shortest in the nation. This allows your clients to achieve asset protection very quickly.

Nevada allows dynasty trusts that last for up to 365 years, protecting many generations of a family from estate tax liabilities.

Finally, Nevada has no state or fiduciary income tax. Trusts are taxed based on where the trustee resides. Having a Nevada based trustee will allow the trust to avoid paying state income taxes at the trust level. This can help reduce the erosion of trust assets. The trust will still have to file a federal return.

For all these reasons, Nevada is among the most attractive trust domiciles in the nation.

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YOUR PARTNER IN PLANNING IS PREMIER TRUST

Offering trust services can unlock the vast and growing ultra-high net worth segment for your practice and super-charge your marketing process. To take advantage of this opportunity, you will need a partner experienced in all aspects of the trust landscape. Premier Trust is ready to help you navigate the changes and deliver solutions that work in your clients' best interests. We are a Nevada chartered trust company with offices in Las Vegas and Reno providing independent administrative trustee services to our clients all across America who want to benefit from the Nevada Advantage; Nevada's favorable trust, corporate, asset protection and tax laws. Whether you or your clients are looking for high-end estate planning, basic trust services or want to invest in non-traditional assets within an IRA, Premier Trust offers the cost-effective, creative, flexible administrative solutions for dreams of any size and situation with a full line of personalized trust, IRA, and estate settlement services.

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