

**Case Study:** The Advisory Trust Company of Delaware helps an Investment Consultant/Advisor win a large trust account with its ability to support multiple investment managers and multiple custodians.

### **The Situation**

Over the past few years, Jim North, vice president of The Advisory Trust Company of Delaware, had developed a relationship with Richard Smarg, managing director of Advisors Trust Investment and Planning Company, Inc., in Naples, Florida. As a member of the M Financial Group, Advisors Trust Investment and Planning Company specializes in wealth management planning for individuals and families. Richard serves as investment consultant to high-net-worth individuals, families, and business owners.

Late last fall, Richard invited Jim to a meeting in Naples, where he was introduced to one of the firm's clients, a beneficiary of a one-third interest in a \$318 million irrevocable trust. The Grantor of the trust, the client's father, had passed away a few months earlier. It was the client's intention to move his portion of the trust's assets to a new trustee, and to become more involved in how the assets were invested.

The trust was currently with a large international investment bank who the Grantor had also named as successor trustee.

In anticipation of moving the trust's assets, the client requested through his late father's attorney that the investment bank retain his portion of the trust's assets on a custodial basis only. No active trading was to be performed by the investment bank until further notice.

### **Moving the Trust**

The trust documents were silent relative to portability language — which typically allows for a named party to remove the then acting trustee in favor of another trustee qualified to act under the trust provisions. However, the trust document did provide for the appointment of a successor trustee in the event of a current trustee's resignation. As a result, the only options available to move the trust would be for the investment bank to resign as trustee so the current beneficiary could appoint a successor trustee, or for the current beneficiary to bring a court action to remove the current trustee and appoint a successor.

The assets held within the trust for the benefit of the Grantor's son were primarily low cost basis stock and a 70% interest in the son's primary residence.

Prior to the death of the Grantor, Richard and his client had already started discussing a potential conversion strategy for the trust's assets. This strategy included how the beneficiary could be more involved with his eventual share of the trust (\$90 million), the types of investment managers required to provide specific asset-class expertise (and diversification), and how the prospect of multiple custodians would be handled.

## **The Solution**

After the death of the Grantor, the client was now vested with his share of the trust and ready to discuss with Richard the management of the trust's assets. Richard's strategy was to hold 30% of the marketable securities portfolio with a fixed income manager, investing in municipal bonds, individual corporate bonds, and international corporate bonds (to accomplish income distribution expectations); 10% of the portfolio was to be held with a tax transitions money manager (to transition the low cost basis positions over time and minimize the tax consequences to the trust through 2010); 5% may ultimately be split between a hedge funds manager and a low cost variable annuity; and the remaining 55% was to be held with an equity manager for growth potential.

The investment strategy was not without its obstacles. Who would be able to provide the trust administration services and accommodate multiple money managers and multiple custodians? How would the reporting be handled? Could one administrator provide consolidated reporting?

Enter The Advisory Trust Company of Delaware. Advisory Trust was selected for several critical reasons. First, Advisory Trust was a good fit due to its reputation as a qualified and professional administrative trustee. From a purely practical vantage, Advisory Trust's flexibility to work with multiple custodians, supporting multiple asset classes and investment styles from different money managers, met the request of the beneficiary and the requirement of the Investment Advisor.

The beneficiary instructed his attorney to formally request the resignation of the investment bank as trustee, which the investment bank was willing to do. Consequently, the client was now able to appoint Advisory Trust as the successor corporate trustee of the trust. The attorney also prepared the necessary agreements indemnifying the trust parties relative to the move, which was a prerequisite of the investment bank in providing its resignation. Within weeks of Advisory Trust's appointment, the resulting \$90 Million was placed with the selected money managers.

## **The Result — a Big Win for the Beneficiary**

The beneficiary accomplished his goals of assuming greater relative control of the trust and its investable assets. He was personally involved in selecting a new trustee — Advisory Trust — and worked closely with Richard, his trusted Investment Advisor, in reviewing, selecting, and approving a team of asset-specific investment managers to meet his short- and long-term investment objectives.

"Thanks to your team's concerted effort, this component of the project (the transition) became a resource instead of a hurdle. Looking forward to other cases."

Richard Smarg, Managing Director  
Advisors Trust Planning and Investment Company, Inc.  
(M Financial Group)  
May, 2009

For more information on this Case Study, please contact Mike Ingraham at 302.636.8531.

## **Disclaimer**

THE FOREGOING IS PROVIDED FOR INFORMATION PURPOSES ONLY. This article is not designed or intended to provide financial, tax, legal, accounting, or other professional advice since such advice always requires consideration of individual circumstances. If professional advice is needed, the services of a professional advisor should be sought.

## **About Advisory Trust**

Advisory Trust is part of the Wilmington Trust corporate family, which has been in the wealth management business for 106 years, serving as trustee and advisor for prominent individuals, families, and foundations. Founded in Wilmington, Delaware, in 1903 by T. Coleman du Pont, one of the great industrialists and entrepreneurs in our nation's history, the Wilmington Trust corporate family currently serves wealth advisory clients in all 50 states and 36 countries.

Advisory Trust has offices in Wilmington, Delaware, and Phoenix, Arizona, and currently oversees approximately \$1.3 billion in assets for more than 1,200 personal trust accounts, providing tax and administration services.

**ADVISORY  
TRUST**

©2009 Wilmington Trust Corporation.