

The Seven Steps to Torpedo Your Estate and Tear Apart Your Family

By Sandeep Varma

If you currently have a trust, or are thinking of setting one up, this checklist from my book, *The 7 Biggest Mistakes Trustees Make and How to Avoid Them*, will show you what the most common and serious mistakes are and how to avoid them.

Each one of these seven mistakes has the potential to ruin your financial plans and to turn family members against each other. Here they are in brief:

Mistake #1 - Failure to Communicate: Failing to communicate properly with all the parties involved with the trust is, perhaps, the biggest mistake trustees make. From my experience, parents must deal with three important predicaments before considering advanced planning:

1. *Do we have enough money to last the rest of our lives?*
2. *Do I want my spouse to know all the financial details of the estate?*
3. *Do we want our children to know all the financial details of the estate?*

I have also found that once planning takes place, children must also deal with two common reservations:

1. *I don't feel I should interfere with my parents' finances.*
2. *If I take an interest, will I be perceived as being greedy?*

Through my experience, families that avoid mistake #1 have a foundation that is able to withstand almost any type of problem in the future.

Mistake #2 - Failure to Hire the Appropriate Advisors: Estate planning is a growing sector that is becoming more complex with its constant changes. Every year laws are revised and added. It's important that when it comes to making important financial decisions that you consult professional advice from a team made up of: attorneys, accountants, and financial planners.

Mistake #3 - Failure to Follow the UPIA: This mistake is more legal in nature than the previous two. It involves the UPIA, or, more specifically, the lack of knowledge of it. UPIA stands for Uniform Prudent Investor Act. Do not ignore this new law! Ignoring this law increases your chances of being sued. It provides an easy way for a disgruntled heir and a slick lawyer to prove that a trustee is unfit to manage the trust, and owes significant amounts of their personal money back to the trust.

Mistake #4 – Failure to Follow the Terms of the Trust: The most important part of estate planning is the trust. The trust is something that should not be taken lightly. It must be well thought out and written to express your exact desires. There can be no ambiguity in a trust. There can also be no assumption that your heirs will know what your intentions are. You must be as specific as possible when writing this document.

Mistake #5 – Failure to Minimize Liability and Risk: The trustee has many duties and responsibilities to the beneficiaries. The trustee is the protector of the assets. He is responsible for not only maintaining the current level of investments, but also ensuring that the investment will grow at a reasonable rate of return over the years. When planning for future finances that involve minimizing liability and risk, there are three areas to be considered: long-term sickness, taxes, and general lack of knowledge.

Mistake #6 – Failure to Review Regularly: A common mistake among trustees is the failure to review the trust regularly. Your life changes over time. So it is necessary to keep on top of these changes. The review process is divided into three critical areas: investment strategy, trust assets, and advisors.

Mistake #7 – Failure to Treat it like a Business: As a trustee, you need to think of yourself as a manager. You have a finite number of assets to manage, and your long-term goal is to make them grow. This is your business. Separate yourself from the beneficiaries, even if you are one. Think of them as shareholders, and it is your job to maximize profits without taking on too much risk.

You are accountable to the beneficiaries for your actions. It is your job to protect yourself and do the best job possible. You are taking on a great liability, so you need to make sure you get good advice.

There are many decisions that need to be made over the life of the trust, many which are not pleasant to make. Some even have absolutely nothing to do with assets or money. Yet, they must be faced. The more aware you are of the potential problems, the better trustee you will become.

Sandeep Varma, author of *The 7 Biggest Mistakes Trustees Make and How to Avoid Them* (www.sevenbiggestmistakes.com), was recognized in 2007 as one of the “Top 100 Independent Financial Advisors in America” by *Registered Rep. Magazine*.