



## JESSICA BEAVERS, CTFA

President  
BTC Trust Company of South Dakota

### The Directed Trust—A Client-Friendly Alternative to Traditional Trusts

The concept of a directed trust dates back to the mid 1980's. A directed trust is a trust where the traditional, common-law duties of a trustee are divided into separate roles for trust administration, investment management, and discretionary distribution management. The persons filling the investment and distribution management positions act in conjunction with an administrative trustee to implement the trust's terms. In a typical directed trust, additional provisions are included in the trust instrument to provide for the use of a Trust Protector.

A directed trust is a useful tool in estate planning because it provides the settlor with the opportunity for greater family input and flexibility. However, a directed trust is not the same in all states. It is important to review each state's statutes to determine what duties can be given to the various roles, what fiduciary duty is imposed upon the appointed

persons and the trustee and what abilities the appointed persons or the trustee have to limit or restrict liability. If the statutory framework of the settlor's state of residence does not fulfill the settlor's wish to divide the trustee responsibilities among various persons, it is useful to be aware of other states' statutory frameworks that may address those needs. Consideration of how to fill the fiduciary roles, along with each state's statutory treatment on taxation of trusts, asset protection, duration, privacy, decanting, and the rights of beneficiaries are all crucial in providing a client with a trust that will best achieve his or her wealth planning objectives. This planning can be done by keeping the client's investment advisory team intact.

Flexibility and control are what clients seek when searching out South Dakota situs.

*Research conducted and contributed by BTC Trust Company of South Dakota.*

**For more information, please visit [www.BTCSouthDakota.com](http://www.BTCSouthDakota.com).**



**BTC TRUST COMPANY OF SOUTH DAKOTA** (BTC TC) was established in response to our clients' desire for access to the benefits of South Dakota trust situs. We accommodate the full range of trust needs and can serve in a variety of capacities, including Trustee, Directed or Administrative Trustee, Agent or Custodian. BTC TC is a state chartered trust department monitored by the Division of Banking in South Dakota. BTC TC has established a niche of accommodating financial advisors across the country who are looking to service the investment management needs of their clients.