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Why use an Institutional Trustee?



Qualified plans are required to hold their assets in trust by one or more trustees. Keeping these assets separate from the sponsoring employer's assets assures that the plan's assets are protected from the employer's creditors and always available to provide benefits to participants.

Some plan sponsors prefer to name individuals as trustees; others prefer to delegate this function to an outside institutional trustee that is licensed and knowledgeable in providing trustee services.

Features of using an outside institutional trustee include:

- The use of an outside trustee distributes fiduciary responsibility and may help reduce the possibility of conflicts of interest.
- Outside trustees provide an extra layer of protection by ensuring that plan assets will be used solely to pay benefits and reasonable plan expenses.
- Outside trustees may provide a variety of services to the plan, as specified in the trust agreement. These may include discretionary services, or may be limited to nondiscretionary services.
- An outside trustee that provides no discretionary services and has no decision-making authority with respect to the plan or its assets is referred to as a directed trustee. A directed trustee operates only at the direction of the plan sponsor, named fiduciary, or their designees.
- Directed trustee services may be preferred by plan sponsors who want the security of utilizing an outside trustee but wish to retain control over the plan.

The outside trustee usually prepares quarterly and annual trust statements that provide information pertinent to qualified employee benefit plans. When plan assets are held through an institutional trustee, the plan may benefit from a "limited scope audit" or reduced audit costs because the trust statements are generally designed to facilitate the plan's annual audit. This is particularly important when a plan has more than 100 participants, which subjects it to specific audit requirements.



Talk to your financial advisor to determine if an outside institutional trustee is right for your plan.



For additional support fulfilling your fiduciary responsibilities, please contact your financial advisor.



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