

Private Trust Company Overview

Private Trust Companies

The private trust company (PTC) allows client families to unbundle fiduciary services in furtherance of family and financial goals.

Some states, including Wyoming, have authorized *private trust companies* ("PTCs"). The PTC is a business entity organized to provide fiduciary services to a family, which is broadly defined to include multiple generations and branches of an individual family. The PTC combines the structure and benefits of a corporate trustee with the flexibility of allowing trusted advisors and family members to participate in PTC operation and trust governance, as appropriate and consistent with tax objectives. It also allows the family or its trusts to own the trust company that serves as trustee of its family trusts.

The PTC is operated by the family and its trusted advisors, often in conjunction with a family office and an administrative services provider such as Willow Street Group, LLC (WSG). The PTC is managed by a board of directors, whose role is to provide oversight to the PTC. Investment activities are performed by an investment committee, comprised of family members and trusted advisors. Distribution activities are performed by a distribution committee, typically comprised of disinterested family members and trusted advisors. Administrative tasks are performed by a family office, the administrative services provider, or a combination thereof.

The following chart details the primary elements of the PTC structure:

Fig 1. PTC Overview

ACTIVITY	"OWNER" IN AN UNREGULATED PTC
Fiduciary Liability	PTC
Oversight / Compliance	PTC Board and Officers
Investment Decisions	Investment Committee
Distribution Decisions	Distribution Committee
Administration* - Bookkeeping / Billpay	Family Office / WSG
Administration - Cash Flow Management	Family Office / WSG
Administration - Tax Coordination	Family Office / WSG
Administration - Records Management	WSG
Administration - Signature Authority	WSG



When a PTC May Make Sense

When considering a PTC against other fiduciary solutions, families and advisors often examine the following factors:

COMPLEXITY

- For families that own complex assets in trust, such as operating businesses, real property, concentrated positions, or alternative investments, the PTC Board and Investment Committee can manage assets that traditional trustees may find impracticable
- The PTC may more efficiently govern complexity arising from multiple or complex structures by separating the different fiduciary tasks and allocating each to a party with the requisite expertise

SUCCESSION PLANNING

- As a business entity, the PTC enjoys a perpetual lifespan, streamlining succession planning and implementation
- The PTC presents families with the opportunity to involve family members and trusted advisors through PTC Board and committee membership, which yields continuity of leadership, intergenerational knowledge transfer, and subject matter expertise

CONTROL & ENGAGEMENT

- Families may enjoy more control through the ability to select each member of the PTC structure, including the board of directors, officers, and committee members
- The PTC operating agreement provides formal structure and framework for family participation and facilitates opportunities for intergenerational education and collaboration with trusted advisors

COST EFFICIENCY & ECONOMIES OF SCALE

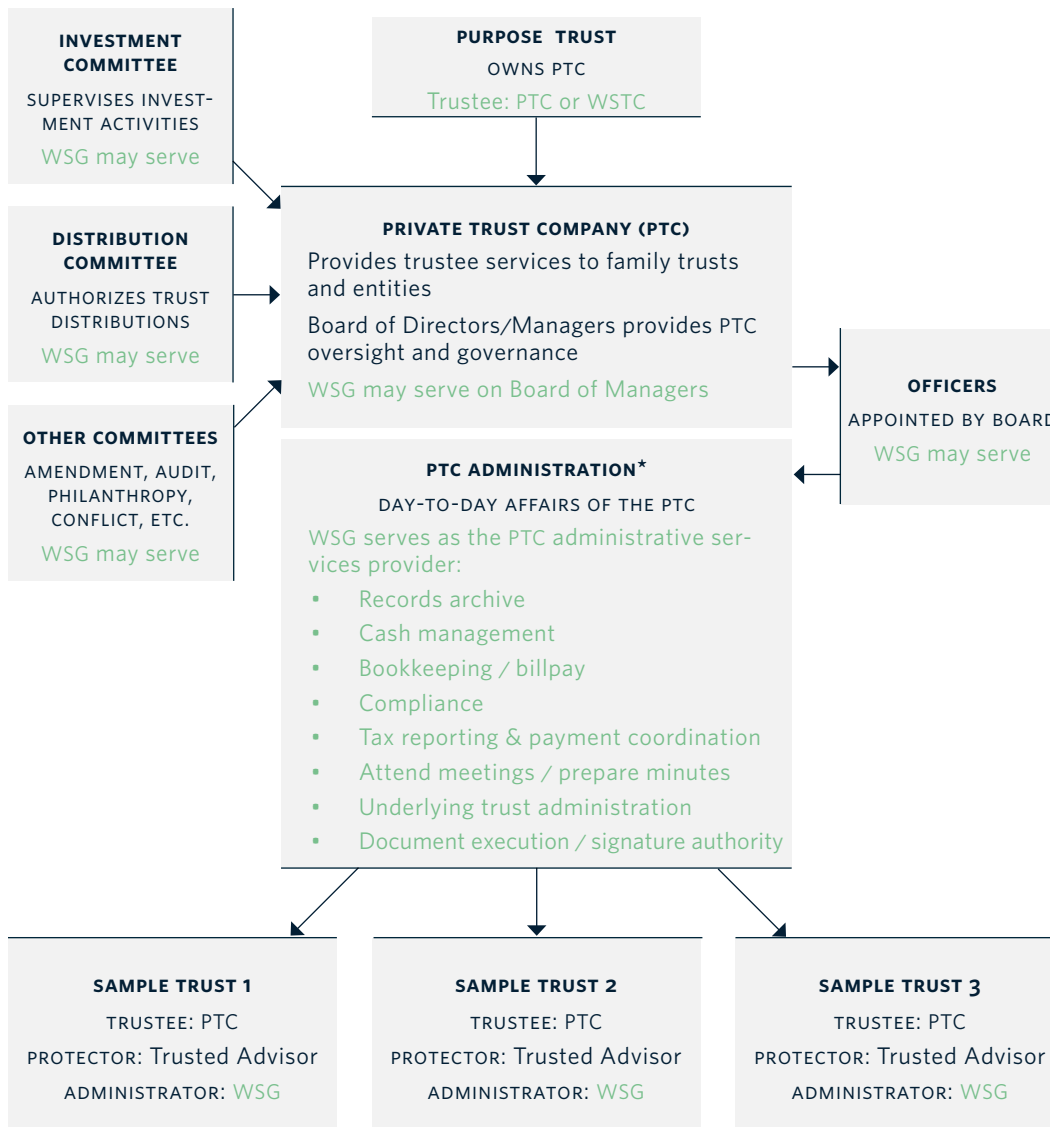
- The PTC benefits from economies of scale and may therefore be more cost effective than traditional trustees as it lacks profit motivation and is typically operated at break-even or a de minimis profit
- Generally, families with a net worth of \geq \$200M (possibly \$100M, if there is significant complexity) are candidates to benefit from a PTC's economies of scale

RISK MANAGEMENT

- As a corporate or LLC structure, the PTC structure limits the liability assumed by participants
- Some trusted advisors may be able to participate in a PTC when otherwise they could not serve as the trustee



Common PTC Structure and WSG Roles



*Administration may be provided in conjunction with the client family office or other service provider pursuant to a Service Agreement.



PTC Board Role and Responsibilities

The business and affairs of a PTC are governed by the board of managers, except for certain decisions delegated to committees (e.g., Investment, Distribution, Amendment). The core administrative areas that a PTC board manages include, but are not limited to, the following.

COMMITTEE FORMATION AND OVERSIGHT

- Appoint and remove persons serving on PTC committees, subject to the limitations set forth in the Operating Agreement
- Create new committees, defining their powers and responsibilities
- Depending on the PTC structure, periodically take reports and ratify decisions made by committees

OFFICER OVERSIGHT

- Appoint and remove persons serving as officers of the PTC

FINANCIAL OVERSIGHT

- Promulgate, adopt, and monitor the PTC's annual budget
- Determine trustee fees charged to underlying trusts
- Retain accountancy, including tax reporting, whether provided by the family office or a third-party provider
- Approve tax returns or delegate duty to a PTC officer or committee
- Implement financial controls, including financial or agreed-upon procedures and audits

TRUSTEE AND SERVICE PROVIDER OVERSIGHT

- Accept and retain trusteeships
- Select and retain third-party service providers, such as administrative, legal, or accounting advisors for the PTC and underlying trusts

STRATEGIC FIDUCIARY PLANNING

- Consider and implement strategy as to wealth transfer structures with advice of outside legal and tax counsel (e.g., should trusts or other entities be modified, decanted, terminated, etc.)
- Define and adopt PTC governance

COMPLIANCE OVERSIGHT

- Adopt, implement, and periodically review PTC policies and procedures
- Coordinate with outside legal advisors to ensure policies and procedures reflect requirements and leading practices



PTC Secretary Role and Responsibilities

MAINTAIN

Maintain the PTCs policies and procedures, books, and records:

- Make recommendations on PTC policies and procedures; maintain and update PPM
- Document financial controls and risk management protocols with Board approval
- Archive financial reporting for PTC and underlying trusts
- Attend Board meetings, draft minutes and maintain minute book
- Serve as authorized signatory
- Execute legal and tax related documents

SUPPORT

Support the Board of Managers on all PTC fiduciary matters:

- Oversee trust onboarding and administration
- Engage in regular administrative reviews of trust accounts
- Report to Board regarding trust business

COLLABORATE

Collaborate with the firm's attorneys, accountants, and other key service providers to reasonably ensure a compliant, efficient, and well-organized complement of professional services are provided to the PTC:

- Coordinate advisor activities to ensure that legal, accountancy, and investment professionals operate with complete information
- Coordinate tax reporting and compliance
- Coordinate and participate in audits and examinations, as appropriate



Elements of Wyoming Situs

Fig 2. Wyoming Situs Details

ELEMENT	DESCRIPTION
Wyoming person serves as Officer or Director of PTC	<ul style="list-style-type: none"> Authorized signatory Resolutions and minutes executed in Wyoming Review of documents, tax returns
Service Level Agreement with Wyoming trust administration firm	<ul style="list-style-type: none"> Perform day-today duties for the PTC Ongoing administration of underlying trusts
Retain Wyoming attorney	<ul style="list-style-type: none"> Establish PTC Draft Operating Agreement File Articles of Incorporation or Organization Draft or review underlying trust agreements for accuracy with respect to Wyoming law
Retain Wyoming CPA	<ul style="list-style-type: none"> PTC tax return 1041 returns for underlying trusts
Physical presence	<ul style="list-style-type: none"> Registered Agent Lease office space Purchase office equipment as personal property Wyoming PO Box Dedicated phone line, server, email addresses
Wyoming bank accounts	<ul style="list-style-type: none"> PTC Underlying trusts





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Please contact Willow Street if you would like additional information on any of the topics discussed herein. Willow Street, a sister company to Pathstone, works collaboratively with families and their advisors to provide Wyoming-based trust and fiduciary services. Together, our combined firm serves the increasingly complex needs of multigenerational families. Willow Street Group, LLC and its principals, agents, and affiliates do not provide legal or tax advice with respect to any matter, and no part of its services may be construed as legal or tax advice. For educational purposes only.