

Case Study- Successor Trustee

- Client in question has a sizable private banking relationship with an affiliate that generates over \$300,000 in annual revenue to the firm.
- The Grantor, Thurston Howell III, now deceased for approximately 5 years, was a Main Line entertainment attorney who earned a generous annual income during his life.
- Delaware Trust Company is being asked to serve as a successor co-trustee of a \$10,000,000 Irrevocable Trust that was initially funded with the proceeds of Thurston's life insurance policy. The surviving spouse, Eleanor "Lovey" Howell (age 75) serves as the co-trustee.
- There is also a separate testamentary Marital Trust benefiting Lovey with a current value of \$1,000,000 that was funded at Thurston's death with \$5,000,000. Lovey is entitled to the income of the Marital Trust and principal at her request.
- Lovey is a resident of Florida.
- The governing law of the trusts is Pennsylvania.
- Delaware Trust Company would be the 3rd corporate trustee since Thurston's death. Current corporate trustee is resigning.
- Under the terms of the Non-Marital Trust, Lovey benefits until her death. Income and principal may be distributed to or for her benefit in the Delaware Trust Company's sole discretion for her health, maintenance, and support, taking into consideration other sources of assets and income. Distributions are also permitted for the descendants of Thurston and Lovey, their adult children Ginger, Maryann and Gilligan, and four grandchildren. At Lovey's death, the trust splits into per stirpital shares and continues in trust.
- The Marital Trust has generous distribution provisions and is rapidly depleting, as Lovey is an extravagant spender.
- Ginger, Maryann and Gilligan have a distant, sometime adversarial relationship with Lovey.
- Non-Marital Trust is currently invested in individual equities/municipal bonds/mutual funds/cash. There is a 20% concentration of Exxon, which Lovey as co-trustee has been resistant to sell. Asset allocation is 45% equities, 50% fixed income, and 5% cash.
- Marital Trust's investment mix is comprised of individual equities/municipal bonds/mutual funds/cash. The asset allocation is 30% equities, 60% fixed income, and 10% cash.
- The resigning trustee is currently charging a flat 80 bps for both the administration and discretionary investment management for both trusts. It has been proposed for this fee to be matched by the Delaware Trust Company, which normally charges

around 1.10%. The Delaware Trust Company would like to be compensated for securities transactions to recoup some expenses.