



Welcome to *Trust Connection*, our monthly newsletter highlighting Trust news and information. Each month we will feature timely articles of interest.

## About Us

At Halliday Private Trust, it is our mission to assist our clients in the process of providing solutions, specifically through a wide range of financial advice.

Since 1982, we have utilized a full spectrum of financial services to help our clients navigate every major hurdle in their financial lives. Because we are an independent financial services firm, we utilize an open architecture approach to locating the most suitable investment options for our clients.

Our role is to help clients make smart decisions about their money. We understand that each client has unique needs and requires personalized solutions based on their goals, objectives and concerns.

## A Guide to Institutional Trust and Custody Services

In contrast to a personal trust, where the grantor or creator of the trust is an individual or perhaps a family unit, an institutional trust is established by a corporation, partnership, or other commercial enterprise. Nonprofit, tax-exempt organizations and governmental entities often establish trusts as well. As with personal trusts, the relationship between the entity establishing the institutional trust and the trustee is a fiduciary one where the trustee has an obligation to act in the best interests of another. Many individuals who serve in a fiduciary capacity with such an organization are not aware of the liabilities associated with the position.

Institutional trust services generally fall into one of two categories. The first is serving as trustee for a retirement plan. Retirement plan services may be divided further into two categories: qualified retirement plans – such as 401(k) plans, employee stock ownership plans (ESOPs), or defined benefit plans – and cash balance plans. If you are an owner, officer, or director of an organization that sponsors a qualified plan, you are deemed to be a fiduciary with regard to the plan and are subject to the rules and regulations of the Employee Retirement Income Security Act of 1974, commonly known as ERISA. There are also nonqualified plans, such as deferred compensation arrangements funded by a rabbi trust. Such plans, while not subject to the requirements of ERISA, still impose significant obligations on fiduciaries, particularly in the event of a change in control. The trust company assists individuals by assuming much of the fiduciary responsibility associated with this role and by working on a creative and collaborative basis with your investment advisor, attorney, accountant, and other plan service providers.

The other category of institutional trust is one that does not focus on providing retirement benefits. Non-retirement trusts would include collateral trusts, voluntary employee beneficiary associations (VEBAs), and various types of escrow arrangements. Your trust company should provide complete administrative trustee services for such plans, including collection of principal and interest payments, investment of deposits in accordance with instructions from your investment advisor, handling and reporting of disbursements and customized statement production.

### Institutional Trust – A Case Study

Here's a real-life example of how directed trust services played a role in meeting the unique needs of an institutional client, in this case a deferred compensation plan. The client was a regional hospital organization operating in major multispecialty facilities in urban locations,

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For information and assistance, please feel free to contact one of our Trust Advisors:

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- Sean S. Mohammadi

as well as six outpatient campuses and two urgent care centers. It employed physician practices in numerous urban, suburban, and rural locations, with more than four million inpatient and outpatient visits annually. In addition to a variety of existing qualified retirement plans, the organization desired to offer a nonqualified plan to key medical and administration staff. Multiple challenges were presented in this situation: identification of a select group of employees working in disparate locations and facilities; coordination of nonqualified benefits for groups participating in a variety of existing defined contribution, defined benefit and 403(b) plans; and competing interests with regard to funding mechanisms. Working with the hospital's financial advisory firm, consultants, attorneys, the board of trustees, finance, and human resources committees, a hybrid excess benefit plan and rabbi trust was designed to appropriately define the eligible group. The plan complemented the qualified plans in place and was an effective tool in attracting new professional talent.

### The Directed Trustee Model

One thing that does not change with institutional trust services is the benefits you derive from the corporate directed trustee model. Working with an institutional trust under this model means your advisor will remain as your investment champion and your primary point of contact. At the same time, you have the services of an independent, professional, and conflict-free trustee with no proprietary product requirements.

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