

How to Use This Manual

In the 21st century, trust departments are increasingly becoming a common division within the typical financial institution. As the upper class continues to obtain more wealth, the need for fiduciary services also grows. Experts in this field have also noted that the need for more sophisticated fiduciary products and services is also expected to increase. Coupled with the retirement of the baby boomer generation, the largest population class, and the inevitable transfer of wealth from one generation to the next, financial institutions should be able to accommodate the need for a full service trust operation.

A critical step toward fully successful trust operations is the ability to plan effectively. Investment-related services must be carefully monitored by trust department management with oversight extended to the board of directors. In addition, with a substantial increase in the number of institutions offering fiduciary services, institutions must be proactive to remain competitive. All trust personnel should have access to the most current information on regulatory changes in the fiduciary area, as well as the necessary tools to establish and operate a profitable trust department.

While there has been little fundamental change in general trust operations over the last decade, the varied investment choices and options on account types have been altered significantly. As fiduciary managers are aware, the two main trust areas consist of employee benefit accounts and personal trust. As expected, the personal trust area has been relatively stable while the employee benefit accounts segment has exploded. In the marketplace 401(k) plans are now fairly commonplace for defined contribution accounts. However, in the prior decade pension accounts were the defined benefit plan of choice.

As trust personnel can attest to, the contribution and benefit limits are being revised on almost an annual basis. In addition, the amount and type of regulations that a trust department must be in compliance with are also changing on a frequent basis. For instance such regulations as the USA PATRIOT Act and others require the constant consideration by trust department management. Therefore, fiduciary personnel must have access to top notch reliable resources that will ensure that their operations will be in compliance with the full letter of the law and this goal must be held in the same regard as profitability for the financial institution.

The purpose of the *Trust Department Management Manual* is to provide for such support. A CD is also included with this manual to include internal control questionnaires to assess risk levels, relevant regulatory issuances as well as further guidance. This manual is written and carefully updated by professionals with a multitude of trust department experience. It is a comprehensive, practical resource that can enhance the performance of your trust operation whether it is just getting started or is already established.

Each chapter presents an important area that trust department management will want to focus considerable resources on. The specific topics in these areas include:

- Establishing trust department goals and organization

- Identifying potential trust services target markets
- Administering employee benefit accounts
- Marketing trust products and services
- Managing fiduciary investments
- Tracking the economy and the financial markets
- Managing information systems
- Comprehending regulatory and legal requirements
- Analyzing trends in trust department performance
- Comparing trust department performance

A brief description of the authors' qualifications and experience follows. In addition, a select group of editorial advisors have also provided assistance with the development of this manual. This group includes: M. Harvey Earp, CFA, President of Brittany Associates, Inc. and the late B.G. Montgomery, Vice President of AIM Management, Inc.