

“ATM VS. PURPOSEFUL”

A ROADMAP TO GUIDE MY TRUSTEES IN THE EXERCISE OF THEIR DISTRIBUTION POWERS AND RESPONSIBILITIES

A Purposeful Visioning Exercise

“A luxury twice enjoyed becomes a necessity”— Paul Comstock

“The reward of esteem, respect and gratitude [is] due to those who devote their time and efforts to render the youths of every successive age fit governors for the next.” — Thomas Jefferson

No matter how well we do in terms of sharing our values, wisdom and vision in our Purposeful Trust™, if we fail to provide the Trustee with guidance and clear statements of intent and purpose, there is a very low probability the trust will have as positive an influence in the lives of the beneficiaries as we hoped it would.

A friend of mine once asked me, “What should I do? Build a better ship or train a better captain?” We were talking about the role of a trustee and the trustee’s potential influence, for better or worse, on the next generations of the Trust Creator’s family. I believe the answer to his question is: you must do both. You need both a Purposeful Trust™ and a Generative Trustee.

A Generative Trustee is one who will invest as much time and energy in the exercise of distribution discretion as is spent on the investment management and trust administration responsibilities. Ideally, a Generative Trustee will serve as both a mentor and accountability partner to the beneficiaries. In many senses the Generative Trustee is the alter ego of a wise and loving parent. But because the possible influence of a Generative Trustee is most strongly felt during and after the beneficiary’s journey to individuation, the Generative Trustee can’t approach their role in a paternalistic or hierarchical manner. They demean the role, however, if they just become “best buds” with the beneficiary.

Too many trustees function like an ATM machine. The beneficiary shows up with the proper code and the Trustee dispenses the requested cash UNLESS the request exceeds the limits set by the trust instrument.

A Generative Trustee who wants to make purposeful distributions will ask two questions: 1) is this distribution consistent with the purposes of the trust; and 2) how can I make and monitor this distribution so I enhance the prospects that the beneficiary will not become dependent on the trust but instead will maximize the positive impact of this distribution?

You wouldn’t drop your children off with a babysitter for a week without providing the sitter with instructions and helpful background. The purpose of the ATM vs. Purposeful Distributions Visioning Exercise is to provide the guidance which the Trustee needs to be able to have the most positive impact in carrying out the duties you have given him/her/it. Such guidance is invaluable.



Step 1:

Read through the list below of different types of distributions which trustees are often asked to make. Circle each one that is within the purview of what you expect the Trustee of your Purposeful Trust™ to be able to make. Don't worry at this point about the Guidance and Guidelights you would give your Trustee. Just ask yourself, "Is this something that at some point in the future I would want my Trustee to be able to decide whether to help a beneficiary with funds for this purpose?" Circle the number of each category which resonates with you.

1. Health
2. Education
3. Living Expenses and Support
4. Buying a Home
5. Starting or Expanding a Business
6. Paying Off a Debt or Judgment
7. Doing Good in the World or Making Gifts to Charities
8. Vacations, Sabbaticals or Walk About Experiences
9. Other Types of Distributions: Is there another type of distribution which you have thought of including in your Purposeful Trust™?

Step 2:

- Now we get to the fun part of the ATM VS. PURPOSEFUL DISTRIBUTIONS PURPOSEFUL VISIONING EXERCISE. Start, with the first category you circled. Find the corresponding category heading in bold below with italicized instructions. Go through each question or statement for that category marking the question/statements for that category as instructed and then reflect on what additional comments or guidance you can provide to explain your expectations for how the trustee will exercise its distribution discretion.



- Next, return to the second category you circled and repeat the process.
- Do this until you have covered each of the questions/statements for each category you circled. Return the completed ATM vs. Purposeful Distributions Purposeful Visioning Exercise to us and we will help you determine how we should integrate it into your trust.

EXERCISE QUESTIONS (Organized By Category)

1. Health: Mark with an "A" each of the following medical procedures or health care expenditures which you would always want your Trustee assisting a beneficiary with. If there are some situations in which you might consider having the Trustee make that distribution if the circumstances are sufficiently strong, then mark it with a "P" for possible. If there is no imaginable circumstances under which you would want the Trustee helping with that health need mark it with a "N" for never?

- _____ a. Health insurance premiums
- _____ b. Surgery
- _____ c. Organ transplants
- _____ d. Psychiatric care
- _____ e. Physical therapy
- _____ f. Hospitalization
- _____ g. Convalescent care
- _____ h. Home care and costs of invalidism
- _____ i. Preventative procedures or tests
- _____ j. Dues, fees and expenses associated with spas, health clubs, athletic leagues and organizations, golf, tennis or country clubs or for the purchase of sporting equipment which will be used for recreational or therapeutic purposes
- _____ k. Hiring or reimbursing a beneficiary for his or her expenses in engaging security personnel, privacy and security consultants and services and other consultants who provide advice, counsel or services in connection with the personal safety of a beneficiary or such beneficiary's family.
- _____ l. Cosmetic or elective procedures such as dental, orthodontics, hair transplants or restoration, eyewear and vision procedures and shall also include non-traditional medicine, procedures and therapies

- _____ m. Transportation expenses which are necessary or primarily related to a beneficiary's health needs
- _____ n. Random drug testing if the trustee is aware a beneficiary has had substance abuse problems
- _____ o. Addiction recovery treatments and programs
- _____ p. Additional therapies, procedures, equipment, drugs and supplements which aren't even available at the time of the establishment of the trust but may become available due to advances in medical research or health care practices which occur hereafter
- _____ q. Experimental procedures which aren't yet considered standard care or may not even be permissible to administer in the U.S.
- _____ r. Is there any other procedure you can think of today which you would like to see included as something permissible for the trustee to authorize payment for

Now, for each of the foregoing procedures or therapies which you marked with the "P" for possible, please add a sentence or two below which explains what conditions or stipulations you would place on that expenditure or what additional information the Trustee should consider in deciding whether to honor that request.

Is there anything you want to say about the health care expenditures you marked as an "A" to help the Trustee understand why that expense is so important to you?

On those health care expenditures you felt such strong opposition to that you marked them with the letter "N" for Never, could you give an example of what your objection or concern with that item is:



2. Education: Mark with an "A" each of the following educational expenditures or criteria for evaluating an educational expenditure which you would always want your Trustee assisting a beneficiary with or including in their criteria for approving such a request. If you feel that expenditure or distribution policy might be appropriate in some situations but not sure in others, please mark it with a "P" for possible. If there is no imaginable circumstances under which you would want the Trustee helping with that educational expense mark it with a "N" for never?

- _____ a. Enrollment at private elementary, junior and senior high school including boarding school;
- _____ b. Undergraduate and graduate study in any field at a college or university;
- _____ c. Specialized, vocational or professional training or instruction at any institution, including private instruction;
- _____ d. Any other curriculum or activity that my Trustee may deem useful for furthering the education or developing the abilities and interests of a beneficiary, regardless of whether such curriculum or activity directly leads to a degree or certification, including, without limitation, workshops, retreats, conferences, seminars, practicums, internships and externships, athletic training, musical instruction, theatrical training, art training,
- _____ e. Expenses incurred in participating in or traveling to a family meeting which has have significant educational value.
- _____ f. Financial bootcamps, trustee/beneficiary trainings or workshops, and other programs or curriculum which will enhance a beneficiary's financial skills or understanding of his/her role and responsibilities as either a beneficiary or trustee.
- _____ g. Educational travel – semesters abroad; semesters at sea, etc.
- _____ h. Travel to and from a beneficiary's permanent residence to any educational institution a beneficiary is enrolled at
- _____ i. Expenses such as room and board, lab and other fees, books and supplies, tutoring, other equipment or tools (including computer hardware and software), other materials or activities which the Trustee feels are of significant educational benefit or value to such beneficiary, and a reasonable allowance for supplemental living expenses including clothing and entertainment, are appropriate educational expenses
- _____ j. Accreditation isn't the litmus test that the Distribution Trustee should use in evaluating the appropriateness of a distribution for educational purposes. Instead the Distribution Trustee should consider whether the proposed educational expense will be in the best interests of the beneficiary because it will enhance the beneficiary's knowledge, life experiences, skills, wisdom or abilities.

- _____ k. In evaluating the appropriateness of an educational path a beneficiary wants to embark on, a trustee should not take into account what the likelihood of a job in that field is or what the earnings power of graduates with that degree or certification is.
- _____ l. Experiencing or participating in philanthropy or philanthropic, religious or humanitarian service, is an appropriate educational expenses.
- _____ m. A beneficiary should take primary responsibility for explaining how a requested educational expenditure will be in their best interests, taking into account the criteria set forth within the trust agreement. It would also be very helpful to not only have the beneficiary explain in their request what they hope to gain from this educational disbursement but to report once they have completed the experience or course of study on what they gained, not only in terms of the substantive knowledge or skills but also in terms of their perspectives on how it has made their life more meaningful or prepared them to be a better person.
- _____ n. The importance of lifetime learning and expanding one's knowledge and wisdom is very strong but each beneficiary should also be accountable for how the resources of this Trust are expended. Therefore, the Trustee should carefully consider the beneficiary's readiness for the educational experience, program or curriculum and should also monitor the beneficiary's progress.
- _____ o. Since research has shown that students who work part-time, place a higher value on their educational degree and maximize how effectively they spend their study time and effort, the trustee should not discourage a beneficiary from working part-time while they are getting their undergraduate, graduate or professional degree.
- _____ p. I want the trustee to discourage my beneficiaries from becoming "professional students." A professional student is one who is constantly seeking new degrees but never applying the knowledge and degree(s) he/she previously attained.
- _____ q. Job counseling, interview and resume preparation and training programs shall be considered educational expenditures.
- _____ r. If a beneficiary has a proven track record of academic excellence the Trustee should consider being more liberal in disbursements for living expenses
- _____ s. The trustee should discourage online education unless it is the only means of obtaining the coursework, certification or degree or unusual physical or medical circumstances suggest it is appropriate for the beneficiary
- _____ t. Pass-Fail coursework shall not penalize a beneficiary who must maintain a certain grade point average to qualify for ongoing educational expenditures or to avoid having to repay prior expenditures.
- _____ u. Other types of educational expenditures which haven't previously been identified:

Now, for each of the foregoing educational expenditures or criteria for making an educational disbursement which you marked with a "P" for possible, please add a sentence or two below which explains what conditions or stipulations you would place on that expenditure or what additional information a trustee should gather before making their decision.

Is there anything you would want to say about the educational expenditures you marked as an "A" to help the Trustee understand why that expense is so important to you?

On those educational expenditures you felt such strong opposition to that you marked them with the letter "N" for Never, could you give an example of what your concern with that item is:

3. Living Expenses and Support: Mark with an "A" each of the following expenditures for an adult beneficiary's living expenses and support which you agree you would always want your Trustee assisting a beneficiary with. If there may be some situations in which you might further identify how or when a Trustee would help with that item mark it with a "P" for possible. If there is no imaginable circumstances under which you would want the Trustee helping with that support or living expense mark it with a "N" for never?

- _____ a. The Trustee should take into account whether any distribution for a beneficiary's support or living expenses will enhance the beneficiary's prospects for becoming or remaining productive and self-sufficient.

- _____ b. Distributions for support or living expenses should be considered through the lens of the vision, values, and life wisdom which I have expressed throughout the Trust Agreement

- _____ c. If a beneficiary has demonstrated the ability to live within a budget they establish and monitor, the Trustee should be more liberal in exercising the discretion given the Trustee to provide distributions to a beneficiary for living expenses and support.

- _____ d. If a beneficiary has demonstrated the ability to not only live within their means but also the ability to save, the Trustee may consider making distributions of income which is accumulating in the trust but in doing so should determine what the effect of any distribution will be upon the income and transfer tax liability of the beneficiary or the trust.
- _____ e. The Trustee may make distributions to a beneficiary to assist the beneficiary in reducing mortgage indebtedness.
- _____ f. The Trustee may make distributions to assist an adult beneficiary in acquiring an automobile
- _____ g. The Trustee should feel it a high priority to make distributions to a beneficiary to allow them to maintain a standard of living they are accustomed to.
- _____ h. The Trustee should only make distributions to a beneficiary to allow them to maintain a standard of living they are accustomed to if it can do so without invading the principal of the trust.
- _____ i. If the Trustee determines that a beneficiary is choosing not to work and/or is becoming dependent on distributions from the trust for their support and living expenses, the Trustee should begin reducing or suspend distributions while at the same time encouraging the beneficiary to get a job.
- _____ j. The Trustee should be proactive in assisting a beneficiary to develop budgeting and financial planning skills.
- _____ k. Is there any other disbursement for support or living expenses you can think of which you would like to see included as something permissible for the trustee to authorize payment for

Now, for each of the foregoing distribution policies which you marked with the "P" for possible, please add a sentence or two below which explains what conditions or stipulations you would place on that expenditure.

On those possible expenditures for support or living expenses you felt such strong opposition to that you marked them with the letter "N" for Never, could you give an example of what your concern with that item is:

4. Buying a Home Mark with an "A" each of the following guidelines you would always want your Trustee to consider and follow before assisting a beneficiary buy a home. If you see a suggested guideline or qualification which you think might be appropriate in some but not all situations where a beneficiary requests help in buying a home, mark it with a "P" for possible. If there is no imaginable circumstances under which you would want the Trustee using trust assets to assist a beneficiary with the purchase of a home mark it with a "N" for never?

- _____ a. The beneficiary should come up with at least 5% of the purchase price of the Personal Residence as a down payment
- _____ b. The Trust should not provide more than twenty-five percent of the total purchase price of the Personal Residence and the beneficiary should qualify for a mortgage to cover the portion of the purchase price which exceeds the down payment provided by the beneficiary and the trust
- _____ c. The trustee may consider providing the beneficiary with an allowance to pay for furnishings for the personal residence
- _____ d. Assistance with the purchase of a home or the purchase of home furnishings is a one-time benefit
- _____ e. The Trust can assist a beneficiary in the acquisition of a vacation home in addition to a personal residence
- _____ f. If the beneficiary is married, the trustee should consider acquiring the personal residence as an asset of the trust UNLESS the beneficiary and his/her spouse have a valid pre- or post-nuptial agreement which protects any funds the trust will provide from becoming a marital asset that the beneficiary's spouse could claim a share of in the event of a subsequent divorce
- _____ g. In the event a beneficiary's family outgrows the personal residence which the Trust has helped the beneficiary acquire, the trustee should counsel with the beneficiary on the desirability of remodeling that home versus selling the home and acquiring a larger residence and if the Trustee feels the beneficiary's request is reasonable considering both the cost of the remodeling or purchase of a new residence as well as the overall commitment of trust assets to this project, the trustee could provide such assistance
- _____ h. A beneficiary's request to retrofit a residence with more energy efficient heating, cooling or energy conservation devices should be honored.
- _____ i. A beneficiary's request for relocation expenses in addition to assistance in purchasing a home should be honored.

- _____ j. If a beneficiary needs to sell his/her personal residence and the mortgage indebtedness is greater than the potential net sales proceeds, after closing costs, the Trustee may use trust funds to pay down the mortgage(s) to avoid the beneficiary having the blemish of a short sale or foreclosure on his/her credit history.

- _____ k. Is there any other type of assistance with the purchase, maintenance or remodeling of a home, which the Trustee might consider

Now, for each of the foregoing scenarios which you marked with the "P" for possible, please add a sentence or two below which explains what conditions or stipulations you would place on that expenditure or what additional factors you would want the trustee to consider.

Is there anything you would want to say about the assistance or expenditures in the scenarios or questions you marked as an "A" to help the Trustee understand why that assistance is so important to you?

On those scenarios or guidelines for residential expenditures you felt such strong opposition to that you marked them with the letter "N" for Never, could you give an example of what your concern with that item is:



5. Starting or Expanding a Business: Mark with an "A" each of the following guidelines you would always want your Trustee to consider and follow before assisting a beneficiary to either start or expand a business. If you see a suggested guideline or qualification which you think might be appropriate in some but not all situations where a beneficiary requests help in starting or expanding a business, mark it with a "P" for possible. If there is no imaginable circumstances under which you would want the Trustee using trust assets to assist a beneficiary in starting or expanding a business, please mark it with a "N" for never?

- _____ a. The Trustee should be willing to provide funds to a beneficiary to hire a competent business consultants to come up with a business plan for any venture the beneficiary wants to start or expand
- _____ b. If the beneficiary will not be the sole owner of the venture, the Trustee should strongly consider structuring any assistance as a loan with a reasonable interest rate and as much security as possible but should always insist on personal guarantees of any capital advanced from the trust for such venture from the beneficiary's partners or co-venturers.
- _____ c. If a beneficiary has previously received assistance from the trust to either start, acquire or expand a business, and such entity or enterprise failed, the trustee should provide no further assistance, whether as a capital advance or as a loan
- _____ d. Is there any other guideline or requirement you would want to impose on expenditures to start, acquire or expand a business?

Now, for each of the foregoing scenarios which you marked with a "P" for possible, please add a sentence or two below which explains what conditions or stipulations you would place on that expenditure or what additional factors you would want the trustee to consider.

Is there anything you would want to say about the assistance or expenditures in the scenarios or questions you marked as an "A" to help the Trustee understand why that assistance is so important to you?



On those scenarios or guidelines for residential expenditures you felt such strong opposition to that you marked them with the letter "N" for Never, could you give an example of what your concern with that item is:

6. Paying Off a Debt or a Judgment: Mark with an "A" each of the following discretionary decisions related to legal obligations or judgments of the beneficiary which you agree you would always want your Trustee assisting a beneficiary with. If there may be some situations in which you might further clarify how, when or whether a Trustee would help with that item mark it with a "P" for possible. If there is no imaginable circumstances under which you would want the Trustee helping with debt or judgment relief please mark it with a "N" for never?

- _____ a. If a beneficiary has wrongfully injured someone, I would like to see the Trustee provide funds to the beneficiary for the purpose of settling that liability rather than forcing the beneficiary to file bankruptcy
- _____ b. If a beneficiary has wrongfully injured someone, the Trustee should provide assistance so that the beneficiary can get the best legal representation and advice but should not use trust income or principal to pay for a settlement or judgment against the beneficiary
- _____ c. If the Trustee feels it is the prudent course, the Trustee should provide funds to a beneficiary to cover the legal costs and filing fees for a bankruptcy
- _____ d. The Trustee should work with and encourage the beneficiary to have adequate property & casualty and liability insurance, including umbrella coverage
- _____ e. It would be an appropriate use of the income of the trust to pay for or reimburse the beneficiary for the cost of all such insurance policies
- _____ f. It would be an appropriate use of the income of the trust to pay for or reimburse the beneficiary for the cost of an umbrella policy but otherwise the beneficiary should be expected to pay for property & casualty policies
- _____ g. If due to circumstances which are totally or largely outside the control of a beneficiary, the beneficiary is unable to stay current on debt obligations the Trustee should be willing to provide funds to the beneficiary to allow them to get current on past due bills and obligations
- _____ h. Is there any other guidance you can offer to the Trustee in terms of providing assistance to a beneficiary who has been subjected to a legal or financial catastrophe?

Now, for each of the foregoing distribution policies which you marked with the "P" for possible, please add a sentence or two below which explains what conditions or stipulations you would place on that type of expenditure.

Is there anything you would want to say about trustee decision-making in the areas you marked as an "A" to help the Trustee understand why that policy is so important to you?

On those distributions for debts or judgments you felt such strong opposition to considering that you marked them with the letter "N" for Never, could you give an example of what your concern with that item is:

7. Doing Good in the World or Making Gifts to Charities: Mark with an "A" each of the following distribution policies or expenditures which you agree you would always want your Trustee assisting a beneficiary with. If there may be some situations in which you might further identify how or when a Trustee would help with that item mark it with a "P" for possible. If there is no imaginable circumstances under which you would want the Trustee providing encouragement for that charitable service or philanthropy please mark it with a "N" for never?

- _____ a. The Trustee should not match distributions a beneficiary makes to charitable organizations or causes which are directly opposed to my business interests
- _____ b. If the beneficiary wants to spend a year or more working full-time in charitable service, the Trustee may provide support and travel expenses to assist the beneficiary while they are providing such charitable service
- _____ c. The Trustee should only match charitable contributions the beneficiary makes to a charitable organization if the beneficiary provide significant volunteer service to that charity
- _____ d. Is there any other guidance you can offer the Trustee on how to encourage or support a beneficiary's charitable giving or service?

Now, for each of the foregoing distribution policies which you marked with the "P" for possible, please add a sentence or two below which explains what conditions or stipulations you would place on those expenditures.

Is there anything you would want to say about expenditures to support charitable giving and service you marked as an "A" to help the Trustee understand why that support is so important to you?

On those decisions to make expenditures for charitable giving and service you felt such strong opposition to that you marked them with the letter "N" for Never, could you give an example of what your concern with that item is:

8. Vacations, Sabbaticals and Walk About Experiences: Mark with an "A" each of the following expenditures which you agree you would always want your Trustee assisting a beneficiary with. If there may be some situations in which you might further identify how or when a Trustee would help with that item mark it with a "P" for possible. If there is no imaginable circumstances under which you would want the Trustee helping with that request please mark it with a "N" for never?

- _____ a. The Trustee should consider matching any funds an adult beneficiary can save for a vacation
- _____ b. A one year Walk About experience or travel around the world after college graduation is something the Trustee should pay for and strongly encourage a beneficiary to take advantage of
- _____ c. The Trustee should encourage a beneficiary to keep a journal for their Walk About or Sabbatical Experience and to write a brief report on their report on what one thing they learned that seemed the most important to them and what one thing they learned or experienced that surprised them the most

Now, for each of the foregoing distributions or distribution policies which you marked with the "P" for possible, please add a sentence or two below which explains what conditions or stipulations you would place on that expenditure.

Is there anything you would want to say about the expenditures for vacations, sabbaticals and Walk About experiences you marked as an "A" to help the Trustee understand why that distribution decision is so important to you?

On those expenditures you felt such strong opposition to that you marked them with the letter "N" for Never, could you give an example of what your concern with that item is:

9. Any Other Types of Distributions You Want the Trustee to Consider: Is there another type of distribution you would want the Trustee to consider making or another form of Guidance or Guidelights you have thought of providing to the Trustee? What might that be?

IS THERE ANYTHING ELSE YOU WOULD LIKE TO INCLUDE IN THIS ATM VS. PURPOSEFUL DISTRIBUTIONS PURPOSEFUL VISIONING EXERCISE?

