



OLD NORTH STATE TRUST, LLC

The Reality Regarding Alternative Assets

One of the things trust departments have always been known for is their customer service. Another is the ability to handle all types of assets. In recent years, both of these concepts have lost traction.

More and more trust institutions are establishing account minimums and raising fees to the point that traditional clients are being excluded. Unless an account or client meets the definition of ultra-high net worth they are sent to a call center or given a toll-free number as a trust officer. That is not my definition of customer service. It's also not what I would call value for fees. Most trust clients want or need services beyond traditional investment management, such as assistance with bill payment, retirement and estate planning and estate settlement. These types of services are not readily available or accomplished well with a call center. It's also just plain nice to be able to look someone in the eye when you are dealing with the types of sensitive issues that arise in the trust world. How can you truly understand a client's needs from afar?

Frequently, clients also have non-traditional assets that require specialized management. This presents an even greater dilemma for a lot of institutions. They either don't have the expertise or staff to be able to handle or value these assets. In the rare cases where departments do accept them, they do so simply as a favor to clients, not because they really want to deal with them.

The problem is that many clients have non-traditional assets. In fact, in a survey done in 2012 by the Internal Revenue Service on a composition of estates half, of course, consisted of liquid assets, but 10-25% were comprised of real estate, 29-38% were other types of illiquid assets such as private equity, hedge funds, closely held (such as family owned), limited partnerships, oil/gas and mineral interests, insurance and collectibles. In fact, total illiquid assets made up 48-54% of estates. Granted, only estates over \$5 million had to file returns, so these numbers are representative of higher net worth individuals, but most people have assets that don't fall into tidy little packages either. The point is an advisor should be able to help you manage all aspects of your relationship, not just the "easy" ones. They should be willing and able to meet clients with whatever their needs may arise

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