



DIRECTED TRUST STRUCTURE

A PRACTICAL CPA REFERENCE GUIDE

A directed trust allows the trustee to engage advisors to make decisions in specific areas while the trustee retains ultimate fiduciary responsibility and oversight.



WHY IT MATTERS

Directed trusts create flexibility, clarify roles, and help families retain trusted advisors while maintaining strong fiduciary administration.

HOW A DIRECTED TRUST WORKS



KEY TAKEAWAY

Directed trusts balance flexibility with fiduciary responsibility. They empower advisors, support family goals, and strengthen long-term trust administration.



Define roles early.



Document consistently.



Review regularly.



Protect the beneficiaries.

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KEY BENEFITS OF A DIRECTED TRUST



RETAINS EXPERTISE

Allows families to keep trusted advisors in their areas of specialty.



CLARIFIES ROLES

Separates decision-making authority while preserving fiduciary oversight.



IMPROVES GOVERNANCE

Creates a structured process for decisions, documentation, and accountability.



SUPPORTS SUCCESSION

Helps ensure continuity when trustees or family members transition.



ENHANCES FLEXIBILITY

Trust can adapt to changing circumstances and family needs over time.



STRENGTHENS RISK MANAGEMENT

Balanced oversight and specialized input reduce fiduciary risk.

IMPLEMENTATION CONSIDERATIONS



- Trust document must clearly authorize advisor roles and scope.
- Define decision-making authority and limitations for each advisor.
- Ensure trustee retains delegation oversight and review responsibility.
- Require reporting, documentation, and performance reviews.
- Align advisor roles with trust purpose and family objectives.
- Review and update advisor appointments periodically.



PRACTICAL TIP

Well-drafted authority and clear processes are essential to maximize benefits and minimize risk.

WHEN TO CONSIDER A DIRECTED TRUST



- ✓ Family wants to retain an existing advisor.
- ✓ Complex or illiquid assets require specialized expertise.
- ✓ Beneficiaries are geographically dispersed.
- ✓ Family members lack interest or expertise in certain areas.
- ✓ Planning for multigenerational continuity.
- ✓ Desire to reduce burden on trustees.

COMMON ADVISOR ROLES (EXAMPLES)



INVESTMENT ADVISOR

Investment management and portfolio decisions.



DISTRIBUTION ADVISOR

Discretionary or needs-based distributions.



TAX ADVISOR

Tax planning, strategy, and compliance.



REAL ESTATE ADVISOR

Property management and real estate decisions.



BUSINESS ADVISOR

Business operations and strategic oversight.



PHILANTHROPY ADVISOR

Charitable giving and foundation oversight.

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