



Funding: Opportunity or Profit Killer?

By: Derek Rodstrom



Good estate planners recognize the need for properly funded trusts. I often tell clients; a lot of estate planning is “title and beneficiary designations”. However, allowing clients to fund their trusts themselves is usually a recipe for disaster. So it is often our responsibility to ensure that the trusts get funded. However, funding clients’ trusts is not an easy task. It is time consuming and tedious and most attorneys would rather spend their time advising clients on complex legal strategies.

But can funding be a profit center for your business? Certainly charging additional fees for funding increases your gross income. But just because you charge for trust funding, doesn’t mean its profitable. From a practical standpoint, a well-organized person can prepare the funding documents in a reasonable amount of time especially with a funding software program.

However, the drafting of the funding documents is not where we lose profit. The loss of profit occurs because of a lack of coordination between you and your client. In today’s world, the client must be an active participant in the funding process. Clients must call directly for forms, complete funding forms online, call for verifications, get medallion guarantees, and go directly to their bank and their human resources department. The breakdown in funding occurs because clients fail to perform these tasks or when they do perform these tasks, they perform them incorrectly.

To effectively and efficiently fund your clients’ trusts it is critical to start with an accurate, detailed list of all the client’s assets. This can be accomplished by having the client complete Personal Information Forms or reviewing their account statements and tax returns. Typically, once I obtain all of the financial information, I prepare a preliminary list of all the client’s assets for their review and written approval to ensure that it is complete so that I am not responsible for funding unknown assets. This data

gathering process also serves to help organize a typically disorganized client.

In addition to gathering information, there must be an expectation from the beginning that funding is not only critical, but that the client must participate. I assign tasks to the client in writing with deadlines (client “to do lists”). Also placing provisions you fee agreement of the tasks the client will be required to perform is very effective.

Next, hire a Funding Coordinator, and hire someone who is an effective communicator. While organization is important for funding, communicating with your clients is more important. A Funding Coordinator who can communicate effectively allows your clients to rely the funding coordinator’s time, and not your time. Every outstanding Funding Coordinator I have ever worked with excelled in communicating with my clients and spent a large portion of their day on the telephone. There are many people who can prepare forms; very few who can cultivate relationships with clients.

Lastly, both you and your Funding Coordinator must communicate with your client’s professional advisors. When it comes to funding, financial planners and bankers can be your best friends. Being able to rely on a financial professional to draft and verify the funding of assets, is like having an out sourced Funding Coordinator for free.

Funding with your client’s professional advisors can also be a great place to obtain new business. When I moved my office the first thing my funding coordinator and I did was to visit the local bank managers and discuss their requirements for putting bank accounts into trusts. Now the bank managers know us, they go out of their way to assist us with funding, and many of them regularly send us business.

In addition, anytime I have a client with a financial advisor I don’t know, I always make it a point to call the advisor

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for help with funding. The majority of the advisors will not only help us, but also schedule a lunch appointment with me to discuss referral opportunities.

Trust funding is crucial for living trusts to work. But simply charging an additional or higher fee for funding will not make it profitable to your practice. You must lay the groundwork with your clients that they must participate in the funding process and then allow your Funding Coordinator to cultivate relationships with them and their advisors. This will allow you to leverage your time efficiently. On going communication with your clients and their financial advisors fosters relationships, and relationships lead to referrals. Not only can funding be profitable, it can lead to new business.

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