



Integrity TrustTM
Trust management specialists

A Guide to a
Trust Warrant of Fitness

Integrity Trust Limited

49 Apollo Drive, North Shore City, Auckland, PO Box 47-821, Ponsonby, Auckland
Phone: 09 307 6557 Email: info@integritytrust.co.nz Website: www.integritytrust.co.nz

A Guide to a Trust Warrant of Fitness

Introduction

Today most experts agree that at least 75% of trusts could be challenged. A successful challenge will often mean the trust is not worth the paper it is written on, or worse, may even create a financial liability for the Trustees.

Our series of Guides provide more detail about what is required of Trustees in their role. We also offer information about what good trust management involves.

However, it is one thing to find out what is required when managing a trust but another to put it into practice, especially when the trust management may have been somewhat lacking for a period of time. This is where our Trust Warrant of Fitness (WOF) is a useful tool.

Contents

What is a Trust Warrant of Fitness?.....	3
How do I know if I need a Warrant of Fitness?	3
What does a Trust Warrant of Fitness involve?	3
What does a Trust Warrant of Fitness cost?	4
What if we already have a professional trustee involved?.....	4
What happens if the Warrant of Fitness shows action is required?.....	5
What happens after the Warrant of Fitness is complete?.....	5
Conclusion	6

A Guide to a Trust Warrant of Fitness

What is a Trust Warrant of Fitness?

Think of it in much the same way as you would a WOF on your car. Each time you take your car in for a WOF the mechanic will either pass you as fit or let you know what action you need to take to be passed fit.

Our Trust WOF is designed to do the same job. We will undertake a comprehensive review of the trust and provide the Trustees with a report identifying any areas that we think require action. It is then up to the Trustees to decide what action they wish to take, if any.

How do I know if I need a Warrant of Fitness?

A good place to start is by reading our Introductory Guides. This will start to give you an idea whether there are any areas of your trusts or your current actions as a Trustee that may need attention. If you then think there may be areas that require review we suggest you contact us for a no-obligation discussion.

It is our experience that the documentation establishing most trusts is completed to a high standard, however in the area of on-going management things tend to slip. This is where most trusts are at risk.

What does a Trust Warrant of Fitness involve?

A Trust WOF is a comprehensive review of all matters relating to a particular trust. This includes but is not limited to:

- A review of the Wealth Protection Plan in place (if any)
- The appropriateness of the trust structure
- Whether the trust structure is being fully utilised
- A review of trust establishment documentation
- Reviewing the trust financial transactions
- A gifting reconciliation
- Comment on Trustees duties as appropriate
- A review of trust management systems and policies
- Recommendations for remedial action by Trustees

The aim of the WOF is to provide Trustees with the information they require to bring the trust management up to date and ensure it is maintained to a high standard in the future.

In addition to trust matters we often find opportunities to recommend reviews of areas such as insurance, mortgages and investments. As we do not give advice in these areas we will refer you to an appropriate specialist. Where an existing relationship exists we seek to involve that person or can refer you to one of our trusted partners if necessary.

A Guide to a Trust Warrant of Fitness

What does a Trust Warrant of Fitness cost?

At Integrity Trust Limited, transparency of costs is important to us therefore we will always provide Trustees with a written quote or range of costs before undertaking any work.

The question of WOF cost is difficult to answer as all trusts are different and therefore the reviews required differ greatly. The costs will be impacted by the complexity of the trust, the period of the review and the level of management undertaken to date.

As a guide, our fee normally starts at \$750 for a fairly straightforward Trust WOF and will typically range up to \$1,500. Very complex trust reviews will increase the costs, in some cases by thousands of dollars. On occasions we are simply unable to provide a quote to complete a full WOF until some initial review work is undertaken. In these situations we will normally seek an initial deposit and provide a further quote later once more information is held. Any fees quoted are exclusive of GST and disbursements unless otherwise stated.

What if we already have a professional trustee involved?

That's fine. We welcome the opportunity to work with professional trustees through our WOF process. Our WOF's are often welcomed by other professionals and because Integrity Trust only specialises in trusts we are not seen as being in 'competition' with your existing professional advisors.

Increasingly we are finding that lawyers and accountants in particular are making the decision not to remain involved in on-going trust management. This is not because they cannot do it but because it is not their core business for them. These professionals, like us, believe people should stick to what they are best at and involve other experts where necessary.

Engaging Integrity Trust does not mean the other professionals cease to be involved. In almost all cases they remain involved in their specialist capacity and in many cases some will remain as an independent trustee. It is all about having the right people undertaking the right roles.

A Guide to a **Trust Warrant of Fitness**

What happens if the Warrant of Fitness shows action is required?

It is entirely up to the Trustees to decide what action should be taken and by whom. Our recommendations will generally be based around the highest level of management we believe is warranted for any particular trust. Trustees are able to implement all, some or none of these recommendations as they see fit.

Where Trustees do wish to implement remedial action there is no requirement to engage Integrity Trust. Of course we welcome the opportunity to help and will provide Trustees with a quote to do so.

What happens after the Warrant of Fitness is complete?

Again, it is up to the Trustees to decide what happens next. In some cases they will ask Integrity Trust to help with the remedial work and then continue to manage the trust themselves in the future.

In many cases however Trustees will engage Integrity Trust through either the Trust Assist or Fiduciary Services to ensure the trust management continues to be maintained to a high standard.

In order to assist Trustees make this decision we will provide an indicative cost for both of these services, along with information on what they entail as part of the Trust WOF.

The most important thing is that the Trustees ensure they continue to discharge the duties required of them in order to maintain the integrity of the trust, whether doing this themselves or with professional help.

A Guide to a **Trust Warrant of Fitness**

Conclusion

Regardless of whether Trustees think their trust is managed well or may need some attention, it can often be worth getting a second opinion. The consequences of getting it wrong can be disastrous, not only for the beneficiaries but the Trustees themselves.

Failure to get a WOF on your car may result in a fine of a few hundred dollars. Failure to get a WOF on your trust could cost many, many times that amount if the trust is successfully challenged.

As former US President John F. Kennedy (1917-1963) once said,
“The time to repair the roof is when the sun is shining”.

Repair your trust while the sun is shining – call us for your Trust WOF today.