

## **FIDUCIARY PRACTICES – ORGANISE**

There are 4 specific practices to be completed within the “organise” stage. An Accredited Investment Fiduciary’s first task is to gather all existing information with regard to a client’s investment vehicles. The structure put in place may be a family trust but it may be in personal ownership. The AIF is required to understand the client’s Trust documentation so that any limitation on the investible asset class types is known. New Zealand Trust law has some basic fundamentals when it comes to managing assets these include.

1. The desirability of diversifying Trust investments.
2. The risk of capital loss or depreciation.
3. The potential of capital appreciation.
4. The likely income returns.
5. The length of the term of the proposed investment.
6. The likelihood of inflation affecting the value of the proposed investment or other Trust property.

This clearly puts the onus on Trustees to have a sound process in place to ensure compliance with the law. It does not mean that if investment fail to perform trustees are breaking the law. If a process is followed and the trustees have agreed then the system will work. What we are finding is that beneficiaries are questioning their inheritances once mum and dad have passed away and the professional trustee is being sued. However for investments in personal ownership the law does not apply but in many ways it is still good to follow some process.

The fiduciary should gather documentation and understand contractual of existing investments including fees. This identifies whether the investment are safely in the jurisdiction of the courts, avoids conflicts of interest and the fees are reasonable. Although there is nothing wrong in any of these occurring we find

that clients are unaware of these existence and they are not properly documented.

The objective of this step is to ensure that there are adequate standards of care in place and documented before any actual analysis of investment are undertaken.

**What are the consequences if the documentation is not in place?**

- If there is improper enquiry for the investment lifecycle then expectations can be compromised if you are chasing the next best investment.
- When there are conflicts of interest there may be a high turnover that generates commissions or trailer fees and therefore a lack of objectivity in advice.
- If there is no written plan the liability and disappointment due to lack of process will increase.