

# ***The “Daily Plan-It™”***

HOOPES & ADAMS, PLC

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## **Selecting the Guardian for a Minor Child**

Nothing will stop a good financial, estate, or life insurance plan dead in its tracks quicker than the following question: “Who would you like to be the guardians of your young children if you pass away?”

### **Squealing brakes**

Usually, the parents just look at each other with terror and confusion. In many ways, it’s an overwhelming thought and the ultimate conversation stopper. This is where parents really need help from their advisors. Few couples can think through this alone—and if they try, they simply stop planning. As a result, they leave their children—the most important thing in the world to them—at risk. No judge in the world wants to appoint a guardian for a minor child; she would rather have the decision made before the case gets before her.

### **The “least evil” guardian**

Parents usually procrastinate choosing a guardian because they’re looking for the best one. Considering that parenting is usually a mix of elation, love, guilt, and self-loathing, all at the same time, it’s hard to find someone who would be ideal to replace you. Where will you find someone who’ll love your children like Mother Theresa would, while investing like Warren Buffett? The answer, of course, is that you never will.

The first thing we suggest is to divide the responsibilities. First, choose someone to raise the children (the guardian). Then, select someone *else* to invest the money (the trustee). The guardian’s job is to raise the children until they reach the age of majority (18 in most states). Once they reach this age, the children, in theory, are adult enough to make their own decisions.

But how do you choose among all the different candidates? The best guardian is the “least evil” one. This is the person among all your client’s family and friends, who would never live up to the ideal standards of Mother Theresa and Warren Buffet, but would raise young children better than anyone else.

## **Benefits of a trust**

The trustee can be a family member, or an independent third party like a trust company. Its job is to manage the investments for the children. It’s important to remember that while the children are adults at age 18, a trust can be structured to last longer than the children’s lifetimes. This provides a tremendous amount of flexibility to parents when considering how to leave money to their offspring. They don’t need to give a lump sum distribution at age 18. A trust, therefore, is the preferred estate planning tool in many cases.

But it also begs the question, “Who should be the trustee—the “Warren Buffett”—for the kids?” Who is that special person who can profitably invest money for your heirs with a long-term perspective? It’s a crucial decision.

Making this decision is where you come in and, if you need us, where we come in. Parents need help. If you think it’s appropriate, feel free to share this article.

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