



# Independent v. Institutionalized Trust Companies: In Defense of the New Paradigm

The financial services industry has witnessed extraordinary developments in U.S. trust law, beginning in 1983 when South Dakota was the first state in the nation to establish the dynasty trust. Modern trust law concepts such as domestic asset protection, strong privacy provisions, directed trusts, trust protectors, and decanting revolutionized the trust industry, directly addressing and resolving inherent conflicts of interest and lack of control that families were forced to endure under the traditional, institutionalized trust company model – where asset management, trust services, banking, and often insurance, were sold to families through a “big bank bundled” approach, wrought with hidden and excessive fees and high turnover.

## **The U.S. Trust Industry Transformed: A New Paradigm**

Without a state income tax, top-tier U.S. jurisdictions with powerful modern trust law planning tools, such as South Dakota, offered tax planning opportunities for large families. The importance of selecting the proper trust jurisdiction became paramount, with some suggesting that it is a breach of fiduciary duty to place a trust in an unfavorable tax, asset protection, or privacy jurisdiction.

Fueled by exciting developments in modern trust law, independent “boutique style” trust companies that did not manage assets, such as Bridgeford Trust Company, proliferated in top-tier jurisdictions, and families were able to avail themselves of the most progressive trust laws in the nation, engage in prudent tax planning, and avoid conflict of interests, while not giving up direction and control. A market-driven correction to a highly flawed trust industry, and a new paradigm was born.

## **International Conglomerates and the Infusion of Private Equity**

The new paradigm in the U.S. trust world developed a huge market opportunity for independent/directed trust companies. This attracted the attention of major international financial services and private equity firms – all looking for a “piece of the action” and to capture, or in many instances, retain revenue going to independent trust companies in top-tier U.S. trust jurisdictions.

The negative impact of this attention is already being felt in the U.S. trust industry. These international, multifaceted, and institutionalized financial services providers have established trust companies in top-tier jurisdictions, often without essential fiduciary talent, requisite understanding of U.S. trust law, or knowing how to properly administer trusts in a given state.

More troubling, many of these companies – often fueled and emboldened by private equity dollars – are buying independent trust companies in top-tier jurisdictions, including recently in South Dakota. Independent trust companies that were originally founded on the principal that the trust industry needed an independent, conflict-free, and non-institutionalized approach, have been rendered institutionalized, no longer boutique, and no longer conflict-free. An unfortunate development for the U.S. trust industry, as once independent trust companies created in the vein of a new paradigm, as a panacea for all that was wrong with the U.S. trust industry, have become part of the very problem they sought to remedy.

## **Bridgeford Trust Company: Big Enough to Matter, Small Enough to Care**

The trust industry is and always will be a

relationship business and, therefore, trustee services are best executed through a boutique, conflict-free, fully independent, personalized, and non-institutionalized approach. Large families not only crave this approach but have come to expect and demand it from their corporate trustee. Bridgeford Trust Company passionately embraces modern trust law and the new paradigm and executes a service model committed to these attributes with a clear focus on education, creativity, attention to detail, and great responsiveness.

Now the oldest and largest independently owned South Dakota chartered trust company, Bridgeford Trust Company provides boutique and conflict-free trust and fiduciary services as well as progressive U.S. modern trust law solutions around asset protection, privacy, and tax planning to domestic and international families.

Bridgeford Trust Company has evolved from one of South Dakota’s first private trust companies into a fully independent public trust company serving the global ultra-high net worth and family office space, leveraging over 125 years of combined legal, accounting, and trust administrative experience executed through our talented and growing staff of fiduciary professionals. With a fiercely independent spirit and a deep passion for the power of modern trust law, Bridgeford Trust Company is committed to serving domestic and international families with its conflict-free, personalized, and non-institutionalized paradigm for many years to come.



For more information, scan the QR code to watch a short video from David A. Warren, JD, President & CEO of Bridgeford, that discusses this transformation and new paradigm.

If you have any questions, please contact David at [dwarren@bridgefordadvisors.com](mailto:dwarren@bridgefordadvisors.com) or by calling (949) 798-6262.

