THE FIDUCIARY INSTITUTE
Guiding Fiduciaries to Excellence

Working with Professional Fiduciaries

A Guide for Financial Advisors and CPAs

Financial advisors and CPAs frequently work alongside professional fiduciaries in conservatorship, trust administration, and estate settlement: situations where a fiduciary holds legal authority over assets the financial professional manages. This guide provides a practical overview of how the collaboration works, where role boundaries fall, and what each professional should expect from the other.

This handout is for collaboration clarity, not a substitute for independent professional judgment on any specific engagement.

What Professional Fiduciaries Do

A professional fiduciary is an individual legally authorized to act on behalf of another person when decision-making, oversight, or management of personal, financial, or legal matters requires formal authority and accountability.

Professional fiduciaries:

- Are appointed by a court or legally designated through governing documents (such as a trust or power of attorney)
- Act under state law, court orders, and ethical standards
- Are accountable to courts, agencies, beneficiaries, or governing documents
- Focus on protecting the person's rights, safety, preferences, and best interests
- Always seek the least restrictive alternative, supporting independence wherever possible

> **Important distinction**
>
> Professional fiduciaries are different from financial fiduciaries. While financial fiduciaries manage investments, professional fiduciaries manage the whole person's situation, often during periods of vulnerability, incapacity, or complexity. A professional fiduciary may oversee a client's healthcare, housing, personal safety, legal matters, and finances simultaneously. Investment management is one component of the financial responsibility, not the entirety of the role.

Professional Fiduciary Roles

- **Guardian:** Personal and healthcare decision-making authority, court-appointed
- **Conservator:** Financial and property management authority, court-appointed
- **Trustee:** Administers trusts per the governing document; may or may not involve court oversight
- **Estate Administrator (also called personal representative or executor):** Administers the closing of an estate, including asset marshaling, debt resolution, and distribution to beneficiaries, whether through probate or outside of it
- **Agent under Power of Attorney:** Acts for the principal per the POA document; no court involvement unless challenged
- **Representative Payee / VA Fiduciary:** Manages government benefits on behalf of a beneficiary. Although not traditionally classified as a professional fiduciary role, its responsibilities, accountability standards, and reporting requirements closely mirror those of a fiduciary, and many professional fiduciaries serve in this capacity alongside their other roles.

Where Financial Professionals and Fiduciaries Intersect

The collaboration between a financial professional and a professional fiduciary typically arises in one of four contexts:

Conservatorship: A conservator is appointed by the court to manage a client's finances. The financial advisor continues managing the investment portfolio, but the conservator now holds the legal authority to direct financial decisions, approve transactions, and authorize changes to accounts. The CPA continues handling tax preparation and planning, coordinating with the conservator on filing obligations and financial reporting.

Trust Administration: A professional fiduciary is appointed as trustee or successor trustee. The fiduciary administers the trust per its terms: making distribution decisions, managing trust expenses, and communicating with beneficiaries. The financial advisor manages trust investments within parameters set by the fiduciary and the trust document. The CPA prepares trust tax returns and advises on tax implications of distributions and asset decisions.

Estate Settlement: A professional fiduciary serves as estate administrator. The fiduciary oversees the closing of the estate: marshaling assets, resolving debts, and distributing to beneficiaries. The financial advisor may assist with asset valuation, liquidation strategy, and account transfers. The CPA prepares the estate's final tax returns and advises on tax-efficient distribution strategies.

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Agent under Power of Attorney: A professional fiduciary is named as agent and the POA is activated. The fiduciary manages the principal's financial affairs per the terms of the document. The financial advisor continues managing accounts under the fiduciary's direction, with appropriate authorization documentation in place.

Role Clarity: Who Does What

Clear role boundaries prevent confusion, protect the client, and reduce risk for every professional involved.

The professional fiduciary:

- Holds the legal authority for financial decisions within the scope of their appointment or governing document
- Approves major financial transactions, account changes, and spending decisions
- Ensures compliance with court orders, trust terms, or other governing requirements
- Documents all financial activity and the rationale for significant decisions
- Reports to the court, beneficiaries, or other accountable parties
- Coordinates across the client's professional team

The financial advisor:

- Manages investments per the agreed-upon strategy and the fiduciary's direction
- Advises the fiduciary on investment decisions, risk tolerance, and portfolio adjustments
- Provides account statements, performance reports, and transaction histories
- Communicates proactively about material changes in the portfolio or market conditions
- Executes transactions authorized by the fiduciary

The CPA:

- Prepares and files tax returns (individual, trust, estate, or gift tax as applicable)
- Advises the fiduciary on tax implications of financial decisions, distributions, and asset transactions
- Provides financial documentation supporting court accountings and reporting
- Coordinates with the financial advisor on tax-efficient investment and distribution strategies

The overlap zone: All three professionals may have perspectives on spending decisions, asset liquidation timing, or risk tolerance. The fiduciary has the final authority on these decisions but relies on the financial advisor's and CPA's expertise to inform them. Disagreements should be resolved through direct communication and documented reasoning, not through unilateral action by any party.

Communication and Reporting Expectations

What fiduciaries typically need from financial professionals:

- Current account statements and transaction histories
- Investment performance reports
- Tax documents and filing confirmations
- Timely notification of material account changes, market events, or compliance issues
- Prompt responses to authorization and documentation requests

What financial professionals should expect from fiduciaries:

- Clear authorization documentation before any account changes are made (letters of appointment, court orders, trust certificates, or powers of attorney)
- Communication about changes in the client's situation that may affect financial strategy (health changes, care cost increases, legal developments, anticipated liquidity needs)
- Advance notice of anticipated withdrawals or large transactions
- Documentation of the fiduciary's authority when onboarding a new fiduciary relationship

Frequency and format: Communication frequency varies by case complexity. At minimum, the fiduciary and financial professional should establish a regular reporting cadence and a clear protocol for urgent communications. Written communication is preferred for anything that may need to be documented in court reporting or accountings.

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Protecting the Client and the Professional Relationship

- **Verify authority before acting.** Request and review the fiduciary's letters of appointment, court orders, trust certificates, or power of attorney documents before accepting direction. Do not take instructions from individuals who may no longer hold authority.
- **Document all communications and authorizations.** Maintain a clear record of every instruction received from the fiduciary and every action taken in response.
- **Maintain direct communication with the fiduciary.** Do not take financial direction from family members, caregivers, or other third parties unless the fiduciary has explicitly authorized it in writing.
- **Understand that priorities may shift.** A fiduciary's obligation is to the client's current best interest, which may differ from the investment strategy the client approved when they had full capacity. Asset preservation, liquidity for care costs, and court-mandated spending may take priority over long-term growth.
- **Flag concerns proactively.** If you observe transactions, instructions, or patterns that raise questions about the client's protection, communicate those concerns to the fiduciary directly and document the communication.

Frequently Asked Questions

- **How are professional fiduciaries compensated?** Fee structures vary by role and jurisdiction. In court-appointed roles, fees are typically subject to court approval and paid from the client's assets. In non-court roles (trustee, agent under POA), fees are governed by the trust document, power of attorney, or a separate engagement agreement. A professional fiduciary should be able to clearly explain their fee structure before the engagement begins.
- **What if the fiduciary asks me to do something I disagree with?** The fiduciary holds the legal authority for financial decisions within their scope. If you believe a requested action is inappropriate, communicate your concerns directly and in writing. Document the exchange. If the matter involves potential harm to the client, consult your own compliance or legal counsel.
- **What happens to my client relationship when a fiduciary is appointed?** Your professional relationship with the client's assets continues, but your point of contact for authorization and direction shifts to the fiduciary. The fiduciary may review the existing investment strategy, request changes, or confirm the current approach. This transition should be handled through a direct conversation between you and the fiduciary, with appropriate documentation.
- **What if a family member contacts me with instructions after a fiduciary has been appointed?** Verify who holds current legal authority before acting on any instructions. Once a fiduciary is appointed, the fiduciary, not the family, typically holds decision-making authority over the financial matters within their scope. If you are uncertain, request documentation of authority before proceeding.

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