

SENATE BILL REPORT

SB 6198

AS REPORTED BY COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE,  
FEBRUARY 7, 1992

**Brief Description:** Requiring trustees to notify beneficiaries of trusts.

**SPONSORS:** Senators Moore, Johnson, A. Smith, von Reichbauer, Niemi and Snyder

**SENATE COMMITTEE ON FINANCIAL INSTITUTIONS & INSURANCE**

**Majority Report:** That Substitute Senate Bill No. 6198 be substituted therefor, and the substitute bill do pass.

Signed by Senators von Reichbauer, Chairman; Erwin, Vice Chairman; McCaslin, Moore, Owen, Pelz, Rasmussen, Sellar, Vognild, and West.

**Staff:** Benson Porter (786-7470)

**Hearing Dates:** January 28, 1992; February 7, 1992

**BACKGROUND:**

Under Washington law, a trustee must annually provide an itemized statement of all receipts and disbursements of trust funds to each adult trust beneficiary who receives income from the trust. Moreover, upon request by any such beneficiary, the trustee must furnish a statement of all property held by the trust.

The trustee is also authorized to file an intermediate accounting of a trust with the superior court of the county in which the trustee resides. The accounting is required to contain certain information including an itemization of distributions and income, the balance of principal and income, and the names and addresses of living beneficiaries. In addition to a trustee voluntarily filing such an accounting, a beneficiary may petition the court for an order directing the trustee to file the accounting.

Concern has been expressed that the current disclosure requirements are inadequate and that some beneficiaries may be unaware of their rights under a trust agreement.

**SUMMARY:**

The provisions concerning the notice provided to trust beneficiaries are modified.

Within 90 days after the trust becomes effective, the trustee must notify all beneficiaries in writing of the entire contents, terms, and conditions of the trust. When an

institutional trustee provides this notice, the notice must provide the name, address, and telephone number for the employee who the beneficiary may contact with questions concerning the trust.

The annual notice requirement is modified so that all trust beneficiaries, including minor beneficiaries, are notified of their right to receive a copy of the trust instrument. The annual notice also must disclose that the trust instrument may contain important information affecting the beneficiary's financial interest. Lastly, the annual notice must disclose that beneficiaries who are minors or legally incompetent should seek professional advice to protect their interests.

The person creating the trust may not relieve the trustee of these duties.

**EFFECT OF PROPOSED SUBSTITUTE:**

The notification requirements apply for the benefit of the income beneficiaries, and notice to minors must be made to the minor's parent or legal guardian. The person creating the trust may relieve the trustee of the duties imposed in this bill by so providing in the trust instrument.

**Appropriation:** none

**Revenue:** none

**Fiscal Note:** none requested

**TESTIMONY FOR:**

The trust beneficiaries should be notified of the trust so that they can avail themselves of any rights thereunder. The beneficiaries also should be kept informed of the trust's status.

**TESTIMONY AGAINST:**

Concern was expressed about the notification provisions applying to minors.

**TESTIFIED:** Trevor Sandison, Washington Bankers