



PRIVATE TRUST GROUP OF AMERICA

A Strategic Resourcing Partner for Wealth Management Professionals

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Sharing Ideas ~ Building RelationshipsSM

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Change is the incubator for success. We can embrace change and be energized by the opportunity, or we can shy away from it and become paralyzed by inaction.

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THANK YOU

To all who have contributed to our success over this past year, we express our sincere thanks and appreciation. The support and encouragement we receive from clients, friends and business associates continues to be a tremendous source of energy and inspiration -- not only to me, personally, but to our entire staff.

Obviously, we share a special bond with those who have entrusted their important business matters to our care; but we also appreciate those who have given us the opportunity to be considered as an alternative resource. Regardless of the outcome of any potential business relationship, we always feel that we have learned something from the experience and that we will be an even better business partner as a result.

As we approach 2008 and prepare for another successful year, we look forward to strengthening existing relationships and building new ones. It is in that spirit that we welcome your comments, suggestions and ideas so we can better serve our clients and the greater trust services community.

All of us at PTG extend our sincere best wishes to you and your loved ones for a pleasant holiday season and a happy, healthy and prosperous 2008!

Sincerely,

Sandi Lotito
Founder

Third Quarter Net Income Down Sharply at FDIC Insured Institutions

According to a November 28, 2007 press release issued by the Federal Deposit Insurance Corporation, net income at FDIC-insured commercial banks and savings institutions declined sharply in the third quarter of 2007 when compared to the third quarter of 2006.

Chiefly responsible for the 24.7% year-over-year earnings decline were a steep increase in provisions for loan losses and a decline in non-interest income. The quarterly net

income of \$28.7 billion for the third quarter of 2007 marked the first time that banks had earned less than \$30 billion since the first quarter of 2003.

FDIC Chairwoman Sheila Bair stated that, "Industry performance was hurt by asset-quality problems and volatility in financial markets in the third quarter. Going forward, the outlook for the industry depends on the severity of the housing downturn and the extent to which

it spills over into the broader economy."

Among other findings contained in the FDIC's Quarterly Banking Profile:

- Provisions for loan losses rose to the highest level since the second quarter of 1987, and the second-largest quarterly loss provision ever reported by the industry.

- Non-current loans and

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PTG Announces Practice Management Case Study Project

PTG is searching for one or more qualified bank or similar trust departments to work with us on a case study to demonstrate the benefits of an active Practice Management Program (“PMP”).

For those unfamiliar with the concept of a PMP, please refer to a recent PTG article, *“Practice Management for Bank Trust Departments — Creating a Professional Oasis in a Retail Environment,”* that is available on our website or by calling Sandi Lotito at 978-463-9099.

Participants in the case study will work with PTG’s staff to design a PMP that raises awareness of good business practices that can lead to greater employee satisfaction and improved profitability.

Essential to the case study’s success will be the explicit requirement that each PMP will be designed to co-exist within the unique culture of each participating trust department.

After a PMP has been designed and implemented, a member of PTG’s staff will hold quarterly progress reviews with each participant and issue a detailed year-end program analysis.

PTG and each participating trust department will work under a joint Confidentiality and Non-Disclosure Agreement that protects their mutual interests and promotes full and open participation.

PTG will cover the full cost of the study, except any incidental implementation costs

as determined solely by each trust department participant.

We hope you will consider participating in this project. It is an excellent opportunity to gain a fresh perspective of your business model from outside trust professionals.

To participate in the case study, or to request more details, please contact Sandi Lotito at 978-463-9099.



“Coming together is a beginning.
 Keeping together is progress.
 Working together is success.”
 - Henry Ford

PTG Seeks Trust Powers for New England Bank

Expanding its list of trust services, PTG recently assisted a state chartered New England bank in its efforts to obtain trust powers. At press time, the applications had been filed and both state and federal regulators had met with the bank’s executives.

State regulators will likely grant trust powers to the bank by year-end, and the FDIC is expected to issue its consent to exercise trust powers within a similar time-frame.

According to PTG’s founder, Sandi Lotito, “This was one of the most enjoyable projects we have ever been involved with. The bank’s culture is so similar to our own that it was not unusual

to exchange telephone calls or emails with the president and trust executives on weekends or bank holidays. The bank is also one of the most customer-oriented and employee-friendly that I have ever encountered.”

“It makes no difference if we are working with a start-up or a \$500 million trust department, we consider each relationship our most important client.”

Ms. Lotito went on to say, “In all my years working in this business, never before have I seen a bank dedicate an entire Annual Report to its employees — but this bank did, and with utmost respect and humility.”

PTG’s assistance included strategic planning to design a

business model and create the detailed business plan to support it; establish policies and procedures to meet regulatory approval; and provide staffing to assist with key administration and operational matters.

Reflecting on her decision to create PTG over five years ago, Ms. Lotito said:

“PTG was created with two main objectives in mind.

One was to provide creative, flexible and cost-effective solutions to help community bank and similar sized trust

departments become more competitive and profitable.

The other was to provide key employees with an opportunity to earn an ownership interest in the business based on their commitment and contributions to its success.

The melding of those two simple objectives is what I believe sets PTG apart from our larger competitors, and is why more and more opportunities are coming our way.”

“It makes no difference if we are working with a start-up or a \$500 million trust department — we consider each relationship our most important client,” she added.

Third Quarter Net Income Down Sharply at FDIC Insured Institutions *(Continued from page 1)*

leases grew for the sixth consecutive quarter, with loans secured by residential real estate accounting for more than half of the growth.

- Non-current residential mortgage loans increased by \$7.5 billion (27.2%), and non-current home equity lines of credit rose

by \$783 million (27.4%).

- Commercial and industrial loans grew for the second consecutive quarter.
- Non-interest income declined by \$3.2 billion (5.1%) below the level of a year ago.
- Retail deposit growth

lagged behind growth in assets, with all of the growth in domestic deposits coming from time deposits (up \$82.2 billion, or 3.3%).

The complete report *Quarterly Banking Profile* is available on the FDIC website at: www2.fdic.gov/qbp/index.asp



Proposed IRS Regulations Require Fiduciary Fees to be Unbundled

The Internal Revenue Service has issued proposed regulations governing the deductibility of certain expenses paid by estates and non-grantor trusts.

The proposed regulations provide that costs incurred by estates or non-grantor trusts that are unique to an estate or trust are not subject to the 2-percent floor.

For this purpose, a cost is unique to an estate or trust if an individual could not have incurred that cost in connection with property not held in an estate or trust.

To the extent that expenses paid or incurred by an estate or non-grantor trust do not meet this standard, they are subject to the 2-percent floor of section 67(a). (Neither section 67 nor this rule applies to expenses that are excluded under section 67(b) from the definition of miscellaneous itemized deductions, or to expenses related to a trade or business.)

Under the proposed regulations, whether costs are subject to the 2-percent floor on miscellaneous itemized deductions depends on the type of services provided,

rather than on taxpayer characterizations or labels for such services. Therefore, taxpayers cannot circumvent the 2-percent floor by “bundling” investment advisory fees with trustees’ fees.

The regulations provide that, if an estate or non-grantor trust pays a single fee that includes both costs that are unique to estates and trusts and costs that are not, then

(a) *In general.* Section 67(e) provides an exception to the 2-percent floor on miscellaneous itemized deductions for costs that are paid or incurred in connection with the administration of an estate or a trust not described in §1.67-2T(g)(1)(i) (a non-grantor trust) and which would not have been incurred if the property were not held in such estate or trust.

this section, a cost is unique to an estate or a non-grantor trust if an individual could not have incurred that cost in connection with property not held in an estate or trust.

In making this determination, it is the type of product or service rendered to the estate or trust, rather than the characterization of the cost of that product or service, that is relevant.

“...a cost is unique to an estate or a non-grantor trust if an individual could not have incurred that cost in connection with property not held in an estate or trust.”

the estate or non-grantor trust must use a reasonable method to allocate the single fee between the two types of costs.

The regulations also provide a non-exclusive list of services for which the cost is either exempt from or subject to the 2-percent floor.

As proposed, the new regulation would read as follows:

Reg. §1.67-4 Costs paid or incurred by estates or non-grantor trusts.

To the extent that a cost incurred by an estate or non-grantor trust is unique to such an entity, that cost is not subject to the 2-percent floor on miscellaneous itemized deductions.

To the extent that a cost included in the definition of miscellaneous itemized deductions and incurred by an estate or non-grantor trust is not unique to such an entity, that cost is subject to the 2-percent floor.

(b) *Unique.* For purposes of

A non-exclusive list of products or services that are unique to an estate or trust includes those rendered in connection with: fiduciary accountings; judicial or quasi-judicial filings required as part of the administration of the estate or trust; fiduciary income tax and estate tax returns; the division or distribution of income or corpus to or among beneficiaries; trust or will contest or construction; fiduciary bond premiums; and communications with beneficiaries regarding estate or trust matters.

A non-exclusive list of products or services that are not unique to an estate or trust, and therefore are

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IRS Issues Proposed Regulations Requiring Fiduciary Fees to be Unbundled *(Continued from Page 3)*

subject to the 2-percent floor, includes those rendered in connection with: custody or management of property; advice on investing for total return; gift tax returns; the defense of claims by creditors of the decedent or grantor; and the purchase, sale, maintenance, repair, insurance or management of non-trade or business property.

(c) *“Bundled fees”*. If an estate or a non-grantor trust pays a single fee, commission or other expense for both costs that are unique to estates and trusts and costs that are not, then the estate or non-grantor trust must identify the portion (if any) of the legal, accounting, investment advisory, appraisal or other fee, commission or expense that is unique to estates and trusts and is thus not subject

to the 2-percent floor.

The taxpayer must use any reasonable method to allocate the single fee, commission or expense between the costs unique to estates and trusts and other costs.

(d) *Effective/applicability date*. Effective for payments made after the final regulations are published in the Federal Register.

To paraphrase Benjamin Franklin:
 “Money has never made our government more efficient, nor will it. There is nothing in its nature to produce efficiencies. The more it has the more it wants.”



Have You Hugged Your Lawyer Today?

Everyone knows that having access to at least one locally known and well-respected estate planning attorney is essential to your success. Having access to more than one is even better.

Here are some Do’s and Don’ts for forging strong estate planning attorney relationships:

DO work with attorneys with a local reputation for being knowledgeable in trust and estate law. Estate planning is a highly sophisticated area of the law, and the simplest drafting error can prove to be very costly.

DON’T talk over the attorney or imply that you are more knowledgeable — especially in front of a client.

DON’T allow the attorney to usurp your “gatekeeper” role with clients you refer to him/her, and don’t usurp his/her “gatekeeper” role with clients referred to you.

DO insist on being brought into the estate planning process early so you have a clear understanding of the client’s goals, objectives and intent; especially if the estate planning attorney is recommending your bank as executor and/or trustee.

DON’T accept referrals unless they meet the trust department’s standards and the bank can fulfill all of its fiduciary responsibilities.

DO choose an attorney with the interpersonal skills to deal with the sensitive personal and financial issues involved with planning one’s estate or attending to the emotional and often traumatic events following the death of a loved one.

DON’T quote an attorney’s fees to a client. Quoting a range is acceptable, but the client should be told that any final fee arrangements are strictly between him/her and the attorney.

DO stay focused on what is in the best interests of the client, even if it means turning the business down.

DON’T expect to be the exclusive solution for your attorney’s clients. He/she will use other institutional trustees, just as you should use multiple estate planning attorneys. Exclusive agreements are rarely in a client’s best interests.

DO require the attorney to explain complex estate planning terms and techniques to your clients clearly and concisely.

DON’T tell lawyer jokes!!!

DO cultivate attorney relationships based on their knowledge of the law, adherence to high ethical standards, and mutual trust and respect for you and your clients.

“A countryman between two lawyers is like a fish between two cats.” — Ben Franklin
 Sorry — couldn’t help it!

Private Trust Group of America specializes in providing administrative and operational support to trust departments and wealth management offices nationwide. Our executive staff has over 100 years of combined trust and related technology experience, and our professional staff’s average experience exceeds 22 years. Please take a moment to review our website at www.privatetrustgroup.com for an overview of our services.