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South Dakota Proves Irresistible to National Advisors Trust

Posted by Scott Martin, Contributor - on June 18th, 2013

Advisor affiliates and attorneys across the country begged the nationally chartered institution for access to favorable tax treatment and some of the strongest asset protection available.

We've been asking the principals of trust companies that report to the Office of the Comptroller of the Currency to describe what the national charter buys them for years now.

Turns out we're not the only ones making inquiries.

"We have received a number of inquiries from advisors and their attorneys who want to put their clients in South Dakota," says David Roberts, chairman of the holding company that runs National Advisors Trust.

Always receptive to what his RIA shareholders and customers need to keep their own clients happy, Roberts filled out the paperwork to start a subsidiary in Sioux Falls.

National Advisors Trust South Dakota is now open for business.

Asset protection, no state taxes

For Roberts, the primary motive that lured the RIA-owned firm to the high plains is simple: the people he works with demanded the ability to administer trusts from South Dakota for certain clients.

The follow-up question, of course, is why National Advisors affiliates are so hungry for access to this state in particular.

Some of the benefits are obvious. There's no state capital gains, income, estate or generation-skipping tax, so those coming from elsewhere can reap a concrete economic advantage if they move their assets there.

And South Dakota has a well-earned reputation as one of the most trust-friendly jurisdictions in the country, supporting dynastic trusts, directed trusts and other must-have vehicles.

Asset protection trusts in particular are protected in the state's statutes and not just case law, giving advisors a place to point clients whose professional standing or other factors make them magnets for litigation.

"We can actually predict with greater accuracy how legal actions might unfold in South Dakota," Roberts explains. "For wealthy people, that's piece of mind they can't get anywhere else."

Why not the other states?

While South Dakota has created an eminently attractive trust environment, Roberts notes that there are probably a half dozen other states actively competing for assets.

But as yet there doesn't seem to be as much grassroots interest among RIAs in getting National Advisors Trust to collect a Nevada or Delaware or Alaska charter.

South Dakota's informal marketing efforts may simply be getting the word out faster than its rivals.

National Advisors Trust already works with partners in Delaware when it needs access to that state's asset protection and other provisions.

Adding South Dakota to the mix gives affiliates even more options, and while Roberts doesn't say so, opening an office in the state is a lot cheaper than setting up shop in Wilmington.

Either way, since it's unlikely that the clients themselves are clamoring for one jurisdiction over another, the advisors are the ones steering the accounts.

They wanted South Dakota and evidently got it.

Not giving up the national charter

While National Advisors Trust now has a presence in South Dakota, the home office will remain in Kansas and the day-to-day trust operations will primarily run out of Missouri as they do now.

The national charter still works as well as it ever did for a lot of the firm's accounts. That will continue.

Likewise, National Advisors Trust isn't about to veer away from directed trusts – in which the introducing advisor remains in control of the investment decisions – any time soon.

But trusts that would benefit from being created in Sioux Falls or even moved to the state will do so.

So far, there's no way to tell how much of National Advisors Trust's $8 billion in assets under administration will move to National Advisors Trust South Dakota.

And we can't say yet how many of the company's 135 shareholder RIAs will leap at the opportunity they have now to promote South Dakota trusts to their high-net-worth clients.

However, the new charter seems to be a good sign. Roberts tells me the pipeline of firms looking to come aboard is healthy and several discussions are well along.

The chance to offer HNW households best-of-class trust was always a tempting prospect. Offering them a wider choice of where to situate those trusts should make it even sweeter.

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