New Jersey Law of Trusts – New Jersey Trustee’s Duty to Disclose

Are you currently serving as a trustee, or are you a beneficiary of a New Jersey trust? If so, then these rules may be applicable to you.

Under New Jersey’s recently enacted Uniform Trust Code (UTC), new obligations are imposed on the trustees of irrevocable trusts to make certain disclosures to trust beneficiaries. The UTC was enacted in January 2016 and became effective on July 17, 2016. The UTC applies to all New Jersey trusts, including those created before the enactment of the UTC.

The UTC was added as Chapter 31 of Title 3B to the New Jersey Statutes. The new law imposes a duty on trustees to keep certain beneficiaries reasonably informed about the administration of the trust and of the material facts necessary for the beneficiaries to protect their interests. The beneficiaries include permissible income and principal beneficiaries of the trust and the presumptive remaindermen of the trust. Also, upon a beneficiary’s request, a trustee must promptly provide the beneficiary with a copy of the trust agreement. Moreover, if a trustee has provided a report that adequately discloses the existence of a potential claim to a beneficiary, such beneficiary has a reduced time frame (six months from the date the report was sent) to bring a cause of action against a trustee.

Under the new law, (i) a beneficiary who has sent the trustee a request for notice is treated as a qualified beneficiary, (ii) notification to qualified beneficiaries is required if the trustee changes the principal place of administration of the trust, and (iii) the trustee must provide notice to qualified beneficiaries if the trustee plans to terminate a small trust that is no longer financially economical to continue.

This Alert provides only a brief overview of the UTC and is not intended to be a comprehensive discussion of the UTC. Please contact a member of our Private Client Group for more in-depth discussion and guidance.

Disclaimer Required by IRS Rules of Practice:
Any discussion of tax matters contained herein is not intended or written to be used, and cannot be used, for the purpose of avoiding any penalties that may be imposed under Federal tax laws.

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