[Date]

[Trustee Name]
[Trustee Address]
[City, State, Zip Code]

RE: Advisory on Fiduciary Obligations and Risk Management for [Trust Name]

Dear [Trustee Name],

This letter serves to outline your formal fiduciary obligations as Trustee of the [Trust Name] and to provide guidance on risk management practices to protect the trust assets and yourself from potential liability.

1. Core Fiduciary Duties

- **Duty of Loyalty:** You must administer the trust solely in the interest of the beneficiaries. Any conflicts of interest or self-dealing must be strictly avoided.
- **Duty of Impartiality:** You are required to act fairly toward all beneficiaries, balancing the interests of current income beneficiaries with those of remaindermen.
- **Duty of Prudence:** You must manage trust assets with the care, skill, and caution that a prudent person would exercise under similar circumstances.
- **Duty to Inform and Report:** You must keep beneficiaries reasonably informed of the trust's administration and provide periodic accountings as required by law.

2. Risk Management Strategies

- **Asset Diversification:** To mitigate financial risk, trust investments should be diversified across various asset classes in accordance with the Prudent Investor Act.
- **Meticulous Record Keeping:** Maintain comprehensive records of all receipts, disbursements, investment decisions, and communications with beneficiaries.
- **Regular Professional Reviews:** Engage legal, tax, and financial advisors periodically to ensure compliance with changing tax laws and fiduciary standards.
- **Insurance Coverage:** Evaluate the necessity of Trustee Liability Insurance (Errors and Omissions) to protect personal assets from litigation costs.

3. Prohibited Actions

- Commingling trust funds with personal funds or other business accounts.
- Using trust assets for personal gain or unauthorized loans.
- Delegating core discretionary functions to third parties without proper oversight.

Failure to adhere to these obligations can result in a "breach of trust," leading to personal liability for losses incurred. Please review the governing Trust Instrument thoroughly to ensure all specific mandates are met.

Should you have questions regarding these duties or specific administrative actions, please contact our office for a formal consultation.

Sincerely,

[Your Name/Law Firm]
[Title]