

## **IC 30-4-3.5**

### Chapter 3.5. Indiana Uniform Prudent Investor Act

#### **IC 30-4-3.5-1**

##### **Compliance with prudent investor rule**

Sec. 1. (a) Except as otherwise provided in subsection (b), a trustee who invests and manages trust assets owes a duty to the beneficiaries of the trust to comply with the prudent investor rule set forth in this chapter.

(b) The prudent investor rule, a default rule, may be expanded, restricted, eliminated, or otherwise altered by the provisions of a trust. A trustee is not liable to a beneficiary to the extent that the trustee acted in reasonable reliance on the provision of the trust.

(c) This chapter applies to a trustee or escrow agent, acting as fiduciary, of:

- (1) a perpetual care fund or an endowment care fund established under IC 23-14-48-2;
- (2) a prepaid funeral plan or funeral trust established under IC 30-2-9;
- (3) a funeral trust established under IC 30-2-10; or
- (4) a trust or escrow account created from payments of funeral, burial services, or merchandise in advance of need, as described in IC 30-2-13.

*As added by P.L.137-1999, SEC.3. Amended by P.L.61-2008, SEC.14.*

#### **IC 30-4-3.5-2**

##### **Prudent investor rule**

Sec. 2. (a) A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill, and caution.

(b) A trustee's investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as a part of an overall investment strategy having risk and return objectives reasonably suited to the trust.

(c) Among circumstances that a trustee shall consider in investing and managing trust assets are those of the following that are relevant to the trust or its beneficiaries:

- (1) General economic conditions.
- (2) The possible effect of inflation or deflation.
- (3) The expected tax consequences of investment decisions or strategies.
- (4) The role that each investment or course of action plays within the overall trust portfolio, which may include financial assets, interests in closely held enterprises, tangible and intangible personal property, and real property.
- (5) The expected total return from income and the appreciation

of capital.

(6) Other resources of the beneficiaries.

(7) Needs for liquidity, regularity of income, and preservation or appreciation of capital.

(8) An asset's special relationship or special value, if any, to the purposes of the trust or to one (1) or more of the beneficiaries.

(d) A trustee shall make a reasonable effort to verify facts relevant to the investment and management of trust assets.

(e) A trustee may invest in any kind of property or type of investment consistent with the standards of this chapter.

(f) A trustee who has special skills or expertise, or is named trustee in reliance upon the trustee's representation that the trustee has special skills or expertise, has a duty to use the special skills or expertise.

*As added by P.L.137-1999, SEC.3.*

### **IC 30-4-3.5-3**

#### **Diversification of investments**

Sec. 3. A trustee shall diversify the investments of the trust unless the trustee reasonably determines that, because of special circumstances, the purposes of the trust are better served without diversifying.

*As added by P.L.137-1999, SEC.3.*

### **IC 30-4-3.5-4**

#### **Review of trust assets**

Sec. 4. Within a reasonable time after accepting a trusteeship or receiving trust assets, a trustee shall review the trust assets and make and implement decisions concerning the retention and disposition of assets in order to bring the trust portfolio into compliance with the purposes, terms, distribution requirements, and other circumstances of the trust, and with the requirements of this chapter.

*As added by P.L.137-1999, SEC.3.*

### **IC 30-4-3.5-5**

#### **Trust managed in interest of beneficiaries**

Sec. 5. A trustee shall invest and manage the trust assets solely in the interest of the beneficiaries.

*As added by P.L.137-1999, SEC.3.*

### **IC 30-4-3.5-6**

#### **Impartial management**

Sec. 6. If a trust has at least two (2) beneficiaries, the trustee shall act impartially in investing and managing the trust assets, taking into account any differing interests of the beneficiaries.

*As added by P.L.137-1999, SEC.3.*

### **IC 30-4-3.5-7**

#### **Costs**

Sec. 7. In investing and managing trust assets, a trustee may only

incur costs that are appropriate and reasonable in relation to the assets, the purposes of the trust, and the skills of the trustee.

*As added by P.L.137-1999, SEC.3.*

#### **IC 30-4-3.5-8**

##### **Determination of compliance with prudent investor rule**

Sec. 8. Compliance with the prudent investor rule is determined in light of the facts and circumstances existing at the time of a trustee's decision or action and not by hindsight.

*As added by P.L.137-1999, SEC.3.*

#### **IC 30-4-3.5-9**

##### **Delegation of functions by trustee**

Sec. 9. (a) A trustee may delegate investment and management functions that a prudent trustee of comparable skills could properly delegate under the circumstances. The trustee shall exercise reasonable care, skill, and caution in:

- (1) selecting an agent;
- (2) establishing the scope and terms of the delegation, consistent with the purposes and terms of the trust; and
- (3) reviewing the agent's actions periodically in order to monitor the agent's performance and compliance with the terms of the delegation.

(b) In performing a delegated function, an agent owes a duty to the trust to exercise reasonable care.

(c) By accepting the delegation of a trust function from the trustee of a trust that is subject to the law of Indiana, an agent submits to the jurisdiction of the courts of Indiana.

*As added by P.L.137-1999, SEC.3.*

#### **IC 30-4-3.5-10**

##### **Authorization of investments or strategies**

Sec. 10. The following terms or comparable language in the provisions of a trust, unless otherwise limited or modified, authorizes any investment or strategy permitted under this chapter:

- (1) "Investments permissible by law for investment of trust funds".
- (2) "Legal investments".
- (3) "Authorized investments".
- (4) "Using the judgment and care under the circumstances then prevailing that persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not in regard to speculation but in regard to the permanent disposition of their funds, considering the probable income as well as the probable safety of their capital".
- (5) "Prudent man rule".
- (6) "Prudent trustee rule".
- (7) "Prudent person rule".
- (8) "Prudent investor rule".

*As added by P.L.137-1999, SEC.3.*

**IC 30-4-3.5-11****Applicability of chapter**

Sec. 11. This chapter applies to trusts existing on and created after June 30, 1999. As applied to trusts existing on June 30, 1999, this chapter governs only decisions or actions occurring after June 30, 1999.

*As added by P.L.137-1999, SEC.3.*

**IC 30-4-3.5-12****Purpose of chapter**

Sec. 12. This chapter shall be applied and construed to effectuate its general purpose to make uniform the law with respect to the subject of this chapter among the states enacting it.

*As added by P.L.137-1999, SEC.3.*

**IC 30-4-3.5-13****Short title**

Sec. 13. This chapter may be cited as the "Indiana Uniform Prudent Investor Act".

*As added by P.L.137-1999, SEC.3.*