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Contact: Debby Pafel
(202) 208-4289

Special Trustee Vincent G. Logan Delivers Remarks to Affiliated Tribes of Northwest Indians Convention

WASHINGTON, D.C. — Special Trustee Vincent G. Logan, who leads the Department of the Interior's Office of the Special Trustee for American Indians, this week delivered remarks on financial education, probate reform and trust investment policy at the annual convention of the Affiliated Tribes of Northwest Indians in Pendleton, Oregon.

Special Trustee Logan's remarks are part of an ongoing dialogue with tribal leaders across Indian Country on issues of concern to their communities and possible options for improvements, including reform initiatives recommended by the Secretary's Commission on Indian Trust Administration and Reform.

The text of Special Trustee Logan's remarks follows:

Good morning, it is a pleasure to be here with you. While I have visited this region of the country before, this marks my first visit since the U.S. Senate confirmed me to become the Special Trustee for American Indians, just 90 days ago. So, thank you for allowing my staff and I the opportunity to join you today.

While my time in this position has been brief, my experience with issues important to Indian Country spans a lifetime. My Osage, or Wah-zha-zhe, name is Hunka-zhe-na-zhe. I am a trust beneficiary - an IIM accountholder - with assets held in trust and administered by the Office of Special Trustee. I have seen over the years how OST has improved processes, finding innovative and efficient ways to accomplish its primary fiduciary responsibility to manage both tribal trust funds and IIM accounts. And, I believe we can make it better still.

I would like to share with you three important areas of focus during my time as the Special Trustee.

First, I believe it is the statutory duty of this office to empower those we serve with lifetime financial skills. Promoting financial education, particularly to Native youth, has been the cornerstone of both my professional and private life, and the scope of this mission expands to a wider audience than ever before.

I have directed my Chief of Staff to reach out to other agencies and oversight bodies involved in consumer financial literacy such as the Financial Industry Regulatory Authority (FINRA), the Securities & Exchange Commission, the FDIC, the Consumer Financial Protection Bureau, the US Treasury and the Financial Literacy and Education Commission in an effort to gather the best educational material, streamline the data that we provide to the beneficiaries, and build coalitions with potential partners so that OST serves as not only financial education provider to Indian Country, but a central platform for tribes seeking to empower their communities with the kind of lifetime financial knowledge that positively impacts families for generations.

Our Fiduciary Trust Officers will be equipped with the necessary training to not only share what is current and useful in their outreach efforts, but also be trained in the most impactful teaching methods which results in positive financial actions taken sooner rather than later.

As you all know, the claims administrator began mailing the second stage Cobell payments last Monday. Combined, there will be close to \$1 billion dollars in payments made to eligible individuals across the country. It is imperative, in my mind, that each of us carefully consider what can be done with these funds as this is a once in a lifetime opportunity. So it is important we carefully consider the options available and how these funds can positively impact the futures of our children.

Financial education is the key to informed decision making and I see my role as the Special Trustee as central to getting the information out to our beneficiaries.

The second area of focus is related to financial education in that we look to educate our beneficiaries about estate planning options - so they have the knowledge to potentially avoid probate. Current law provides that Indian trust assets, regardless of value, are subject to probate administration, which is the process for distributing real and personal property to heirs of those who are deceased. The average cost of a single probate administration, which currently takes an average of more than two years, is in excess of \$3,000.

As of September 2014, there are approximately 53,000 Individual Indian Money (IIM) accounts with balances between one cent and one dollar. The aggregate value of these small balance accounts is about \$15,000. Under the current probate administrative process, the estimated cost to probate these accounts could be over \$159 million. I think it is time we carefully and seriously consider the recommendations made by the Secretary's Commission on Trust Administration that President Sharp recently chaired.

There are many options available to the rest of the country with regard to probate and estate administration that have not been made available to Indian trust beneficiaries. I believe it is time to explore some of the options mentioned in the Commission's report that would streamline the probate process and improve the time it takes to distribute assets to heirs. The Secretary recently mentioned that probate reform is important so it will be an important item I will be carefully considering with the full support of the Secretary. In her recent reaffirmation of the Trust Principles, the accompanying paper specifically stated:

In general and with respect to probate, the Department has begun promoting the use of estate planning to avoid time and expense of current formal Federal probate process. Several options the Department is currently exploring to address probate concerns are as follows:

Non-Probate Transfers on Death. Provide Indian trust beneficiaries with ability to execute Payable on Death or Transferable on Death beneficiary designations.

Revocable Trusts/Family Limited Partnerships. Allow common private-sector estate planning entities (e.g., revocable trusts, family limited partnerships, etc.) to hold title to Indian trust assets to: (i) avoid probate; (ii) reduce fractionation; and (iii) provide better lifetime management options.

Gift Deeds. Streamline and simplify the current *inter vivos* transfer process for Indian trust assets (i.e., gift deeds).

Small Estate Affidavit. Adopt private-sector small estate process to significantly reduce the length, complexity and cost of transferring Indian trust assets at death.

I have assembled a team at OST to work with BIA and the Office of Hearings and Appeals to look into the steps we can take to improve this process and bring the recommendations of the Commission into reality. Obviously, we will not be able to accomplish this without your support and assistance so we will also be reaching out to you for input on ways to effectively implement these recommendations.

Lastly, I am reviewing OST's Investment Policy. Between tribal trust accounts and IIM accounts OST is responsible for nearly \$5 billion. It is important that we constantly look for ways we can create efficiencies, safely get the best return on your money, and fully understand your investment objectives.

We have a fiduciary responsibility, one we take very seriously. I have assigned current staff and recently brought on additional staff dedicated to this very issue. In an era of very low interest rates, fixed income portfolios managers need to look into every possibility. And we are doing just that.

As tribal leaders, I look to you for assistance in these three areas of focus. I need your help in promoting financial education in your communities. Let us work with you to help identify topics specific to your community, and let us provide workshops, classes, and materials. I encourage you to work with the Fiduciary Trust Officer in your area.

I need your help with probate reform efforts. I will be reaching out to you through our Field Operations staff to keep you informed of our efforts and seeking your assistance in contacting elected leaders. And, I will look to consult with you once we have identified ways we can improve investment performance.

Once again, I thank you for this opportunity to appear before you today. It is my honor to serve as the Special Trustee and it is my honor to serve you.

Thank you.

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