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Who will manage your family's portfolio after you're gone?

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Could your spouse take over the management of the family portfolio?

I've asked investors this question many times throughout my career in the investment industry. It becomes relevant as people arrange their financial affairs for the unexpected but inevitable day when spouses are left alone to fend for themselves.

The most common answer I received to this question was, "no but, my adult son or daughter will help." In my experience, grieving spouses and their adult children are ill-equipped to take on the stressful responsibility of knowing good securities from bad and recognizing when to buy or sell. Most of them aren't interested in doing so, either.

So while updating the will, and obtaining powers of attorney and personal directives, perhaps some additional thought should be given to how your spouse will assume the portfolio responsibilities. Like updating your will, it's what you do with your portfolio before you die that makes the difference.

A first step is to look at how the family portfolio is being managed today. Is there an investment policy statement or similar document to guide the new decision maker? Is it easy to figure out why certain securities were bought and when they should be sold? Just for a moment imagine your grieving spouse having that conversation with a financial advisor. The result will likely be one of two things – overwhelming or a blind trust acceptance of the advisor's recommendation. Stressful!

What can we do to ease the burden of this transition? The fewer decisions the better! A discretionary family portfolio established and managed for you and your spouse allows an easy transition from one decision-maker to the next. While the death of a spouse may require slight adjustments to the portfolio asset mix, for the most part it will continue to be suitable for the remaining spouse. A discretionary approach to portfolio management shifts the bulk of the decisions about individual securities to the portfolio manager. Your spouse will thank you.

A discretionary portfolio manager owes you a fiduciary duty to act in your best interests. This represents the highest ethical standard on par with other professionals such as, doctors, lawyers and accountants. If you are going to leave your inexperienced spouse to work with an advisor why not choose one that is held to the highest standards?

If you have investments scattered among several financial institutions you are compounding the problem for your spouse, who will have to visit each firm and each advisor to try and understand what needs to be done. Consolidating your portfolio at a single firm, developing a discretionary family portfolio strategy with quarterly reporting make it easier for a spouse to take over.

Choose an investment firm offering basic quarterly portfolio reporting that gives both spouses the “command and control” over the family savings. A simple document showing the asset mix, the holdings, as well as a fee report and a single rate of return after fees provides a surviving spouse an established and continuous portfolio reporting process. This empowers clients.

Do your spouse a favour and put together an easy-to-manage portfolio while you are alive. Just like updating your will, it’s what you do with your portfolio before you die that makes the difference.

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