

Your Child's Trust Fund

Frequently Asked Questions



**PUBLIC GUARDIAN
AND TRUSTEE OF
BRITISH COLUMBIA**

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A. Introduction

Welcome to the Public Guardian and Trustee (PGT). This guide has been designed to answer key questions we regularly receive from parents, guardians and youth.

If you require further information, please contact Child and Youth Services at 604.775.3480 or cys@trustee.bc.ca or visit our website at www.trustee.bc.ca.

Why does the PGT act as trustee of children's funds?

There are several laws in British Columbia that protect the financial and legal interests of children and youth. Under these laws, the PGT is required to act as trustee for certain funds payable to children and youth.

Provisions found in the *Family Law Act* provide that some funds payable to a child or youth that are under a certain dollar value may be paid directly to parents and guardians to manage as trustee. In those circumstances, the parent or guardian is not required to go to court and obtain an order to act as trustee.

However, when the funds are paid to the PGT, the PGT will set up a trust account for the child or youth.

If you have any questions about how the funds are being managed or you wish to receive a financial statement on a regular basis, please contact Child and Youth Services at 604.775.3480 or at cys@trustee.bc.ca.

B. Requesting Funds From a Trust

The PGT is guided by the *Family Law Act* which states each parent and guardian has a duty to provide support for his or her child.

In order to provide services to your child, the Guardianship and Trust Officer (GTO) may ask a variety of questions about your child such as who is providing financially for your child, who are the legal guardians, and with whom your child resides.

How will I know that the PGT has received money for my child?

Upon receipt of trust funds for a child or youth, the GTO sends the child's or youth's parent or guardian a letter confirming the amount and identifying how the funds may be used to assist in providing for the needs of the child or youth.

Will the PGT release money from my child's trust fund?

The PGT must ensure that any funds released are used for the purpose(s) for which they were intended and are for the sole benefit of the child or youth.

The GTO has the discretion to release all or part of the funds prior to the child or youth reaching age 19. When requests for funds are made, the GTO may also request information directly from the child or youth, where it is appropriate to do so.

Knowledge and involvement of children and youth in how their trusts are managed allows them to develop their financial literacy skills and set long term goals for use of their funds at 19. Financial Literacy information can be found on our website at www.trustee.bc.ca.

GTO's carefully consider any request for release of trust funds to a child or youth. They take into account the amount of the trust and consider balancing the child's or youth's current needs as well as his or her likely needs upon becoming an adult.

I need help to financially support my child, may I request help from the trust fund?

Children and youth are not normally expected to pay for their own daily living expenses; however, the PGT may receive funds on behalf of children or youth that may be used to assist with their maintenance and support expenses – for example, funds received from a deceased parent's or guardian's estate.

When requesting funds for maintenance, the GTO will discuss the information needed to consider the request and will ask that you put your request in writing and include the following information:

- What are the needs of the child or youth and why is the parent or guardian unable to fully or partially support those needs financially?
- What other sources of funding are available? (e.g., Canada Pension Plan Children's Benefits, Child Disability Benefits)
- What are the future plans for use of the trust funds? (e.g., post secondary expenses)

What about financial help to pay for extraordinary expenses or special events for my child?

Requests may be made to fund special opportunities with trust funds. Such special opportunities could include medical or educational goods, services or opportunities that provide a direct benefit to the child or youth that could not otherwise be provided unless trust funds are made available. When requesting funds, the GTO will discuss the request with the parent or guardian and will ask for written information including:

- What is the special opportunity and the benefit to the child or youth?
- What is the estimated cost of the expense?
- Are there any other sources of funding for the request?
- Are there future expenses that the child or youth may need to pay for from the trust? (e.g., post secondary expenses)

C. Investing Funds

What kind of investment decisions will the PGT make as trustee?

The PGT assumes responsibility for the management of funds paid to the PGT. As trustee, the PGT must invest funds with the care, skill, diligence and judgment that a prudent investor would use when making investment decisions.

Some factors taken into account when determining the investment management goals for the funds include the age of the child or youth, the amount of funds held in trust and the likelihood the trust will need to be accessed before age 19. Children's and youth's trust funds are professionally invested in one or more of the following PGT pooled investment funds:

PGT Premium Money Market Fund

This fund is intended to preserve capital for risk averse clients and provide liquidity and an improved rate of return for short term investments. The rate of return on the portfolio is calculated monthly and interest is credited to each child's or youth's trust account.

PGT Balanced Growth Fund

This fund is aimed at long term capital growth and is used most frequently by a child or youth with longer investment time horizons such as young children. The income on the portfolio is calculated annually and credited to the child or youth in the form of new fund units.

If a child or youth has more than \$500,000 in trust, those funds may also be invested using other investment alternatives, including brokerage services and discretionary managed accounts.

The PGT is assisted by an Investment Advisory Committee established by statute, which advises on strategic investment policy.

What kind of rate of return can my child expect?

Interest rates fluctuate over time depending on the world economy and financial markets. You can find the rates of return paid on PGT investment funds, together with standard comparisons, in the PGT annual report.

D. Tax Information

Do I have to file a tax return for my child?

Canada Revenue Agency requires the PGT to:

- Request a Social Insurance Number for your child.
- Report interest income if it is \$50 or more during the tax year.

You will be required to file an income tax return only if required by Canada Revenue Agency. You should seek professional tax advice if you have any questions about the taxation of your child's funds.

Exception: Interest income on personal injury settlements is exempt from income tax until the year the child or youth turns 21. As the interest earned is not taxable, the PGT will not forward tax slips earned on these specific trust accounts.

Contact Canada Revenue Agency at its toll free number 1.800.959.8281 or visit its website at www.cra-arc.gc.ca for further information on tax filing requirements.

E. Planning For The Final Distribution of the Trust

What happens when my child turns 19?

At age 19, your child is legally an adult and entitled to receive the balance of his/her trust funds unless exceptional circumstances apply, such as

- the source of funds (i.e., will or court document) specifies the funds are to be released at an age after 19;
- the young person does not have the legal capability to manage his/her financial affairs as an adult without assistance and a legal representative has not yet been appointed.

How can I help my child be ready to manage his or her money at age 19?

We will send a letter to your child at age 17 to describe the trust fund and to offer ideas about how you and your child can plan for your child receiving the funds at age 19.

We suggest that your child consider goal setting and financial planning to meet his/her goals. Your child can also access financial resources available from banks, credit unions and other institutions and there are a variety of financial planning websites and tools online, including the PGT *Dollars & Sense Handbook*.

Concerned about your child's ability to manage his/her money as an adult?

You may want to look into alternative decision making options if you are concerned that your child may not have the mental capability to manage his/her funds as an adult. The GTO can work with you to help you develop a plan to assist and protect your child's financial future.

Possible options to assist your child as an adult include, but are not limited to, Representation Agreements, Powers of Attorney, or Committeeship Orders.

The PGT website, found at www.trustee.bc.ca, offers more information to assist you in this regard.

F. PGT Fees

Does the PGT charge fees for the services it provides?

Under the *Public Guardian and Trustee Fees Regulation*, the PGT is required to charge various fees and commissions for the administration of trusts held on behalf of a child or youth.

The fees and commissions that are routinely charged for services provided include the following:

Capital Commission

This is a one time fee that is charged upon receipt of money or assets by the PGT on behalf of a child or youth. This fee compensates the PGT for assuming the risk of all decisions made on behalf of the trust and for services provided, including working with parents or guardians and other parties to understand the immediate and future financial needs of the child or youth and investment and expenditure decisions made based on his or her needs.

Income Commission

Income commission is charged on all income received and interest paid to a child's or youth's trust account. This commission compensates the PGT for all activities or services related to collecting income, paying bills, etc. In all cases, the PGT pays monthly interest income to clients which is added to their trust accounts.

Asset Management Fee

The asset management fee is charged on all assets administered on behalf of a child or youth. This includes trust monies or real property that a child may own. The fee compensates the PGT for assuming the risk of managing the child's assets, and for monitoring the performance of investment services as provided by professionals.

The PGT is also required to charge the applicable taxes on fees and commissions.

A detailed description of fees and commissions can be found at www.trustee.bc.ca/fees.

G. Review of Decisions and Complaints

Complaints

If at any time you are concerned about the level of service you are receiving, please call 604.775.3480 and ask to speak with one of the managers or the director in Child and Youth Services. Or, alternatively, you can email cys@trustee.bc.ca and ask that your email be directed to one of the managers or the director.

Decisions

If you are dissatisfied with a decision that has been made, you may request that the decision be reviewed. The first step is to speak with the manager and then with the director. All details regarding the PGT formal review process can be found at www.trustee.bc.ca/Pages/feedback.aspx.

If you remain dissatisfied after the conclusion of the PGT review process, you may bring your concerns to the attention of the Ombudsperson.

Contact the Public Guardian and Trustee

Child & Youth Services
Public Guardian and Trustee
700-808 West Hastings Street,
Vancouver, BC V6C 3L3
Tel: 604.775.3480
email: cys@trustee.bc.ca

www.trustee.bc.ca
email: mail@trustee.bc.ca

Toll free calling is available through Service BC. After dialing the appropriate number for your area (below), request to be transferred to the PGT (regular office hours 8:30am-4:30pm, Mon-Fri).

Vancouver	604.660.2421
Victoria	250.387.6121
Elsewhere	800.663.7867