

Managing investments as a private committee

Information for private committees

As a private committee of estate, you manage the financial affairs for an adult who is no longer capable to do so. You need to keep a reasonable amount of money in the adult's bank account to care for routine needs. If additional funds are available, you should consider developing an investment plan. Given the level of care that is needed to manage investments, you should seek advice from an investment professional.

Investment considerations

A reasonable and proper investment plan considers the following:

- Prior investment history and patterns of the adult
- Adult's circumstances, interest, and wishes
- Adult's current and future needs

The prudent investor

In B.C., private committees of estate are considered trustees. Therefore, your investment decisions must meet the standard of care set out in the [Trustee Act](#) which is the prudent investor requirement. This means you must use a prudent investor's care, skill, diligence and judgment.

As a prudent investor, you must:

- Take an approach that balances risk and returns
- Develop a written investment strategy and plan
- Make necessary investments to protect capital and provide income for the adult whose affairs you manage

- Develop risk and return objectives that are suitable and reasonable, based on the size of the portfolio and the circumstances of the adult
- Make sure that the investments are diversified in class and type
- Make sure that the costs and fees charged for investment purposes are reasonable and appropriate

Investment risks

There are many financial risks when making investment decisions. This is especially true when you are investing for someone else. As private committee of estate you can be held personally responsible for investment losses incurred by the adult's estate. However, the Trustee Act states that you cannot be held responsible for an investment loss if the decision that led to the loss is based on an investment plan of a prudent investor.

Therefore, you should make every effort to maintain the overall portfolio risk at a reasonable level when developing an investment plan for the adult for whom you are committee.

For example, you need to keep money in the adult's bank account to take care of the adult's day-to-day needs. Any amount over that should be invested. The investments you make should be in the best interest of the adult. This requires an investment strategy that limits ups and downs in market values to provide a steady income for the adult's financial needs. As a prudent investor, you only expose the adult's estate to the level of risk required to meet the adult's financial needs.

You must choose an agent carefully and you must:

- Establish the terms and limits of the authority you delegate
- Familiarize the agent with the investment objectives
- Regularly monitor the performance of the agent

When choosing an agent, make sure they are:

- Knowledgeable
- Reputable
- Dependable

You must also make sure they understand the legal requirements of trustees to act as prudent investors. The fees they charge must be reasonable and competitive. Some investment products have hidden management fees such as load or administration fees. Be sure to ask for an explanation of all fees and commissions.

Personal loans

Making a personal loan to yourself, family members, or others is not an appropriate investment and is a direct conflict of interest. If you wish to make a personal loan, the loan must be approved in advance:

- As part of the initial court order, or
- By way of a court order specifically authorizing the loan

How to develop an investment plan

Your investment decisions are your choice. However, it's important to remember that you are acting on behalf of the adult for whom you are committee. The adult's wishes and past investment patterns should be taken into account. We strongly advise that you seek qualified professional advice to help you create an investment plan.

What follows is the steps to create an investment plan.

Understand the adult's financial goals

As a prudent investor, you'll base your plan on the adult's financial needs, objectives and goals. To get the understanding you need, you can take the following steps:

- 1. Create a net worth statement:** As private committee, you'll have a good understanding of the adult's assets and debts. Once you have assessed the value of the adult's assets and any debts, you can create a net worth statement. A net worth statement shows the dollar value of what the adult owns and owes. This will help you identify what assets should be invested
- 2. Prepare a budget:** A budget that outlines the adult's current income and expenses is good practice. It gives you a financial road map to follow while you are committee of estate. A budget helps you determine if there is:
 - A positive cash flow (income is more than expenses), or
 - A negative cash flow (expenses are more than income)
 - If the cash flow is negative, you need to use assets to meet the day-to-day needs of the adult. You may also need to consider the long-term impact of a negative cash flow. Over time, funds could run out. You should make a contingency plan in case this happens. For example, you could investigate what government benefits, subsidies, or other financial assistance the adult may be eligible to receive.
- 3. Anticipate and identify high future costs:** It's important to think about and prepare for costs that could come up in the future. These costs could include travel to visit family, buying a specialized vehicle or renovating the home. They could also have increased medical care and caregiver or companion costs. Some of these costs may or may not be covered by the adult's income.

4. Consider capital expenditures: Capital expenditures are expenses that generate an asset. For example, you may have to sell assets to prepare for other large costs that may come up in the future, such as purchasing a house or specialized vehicle. To make a capital expenditure, you must consider other factors, such as tax implications. As private committee, you must also consider the adult's:

- Life expectancy
- Risk tolerance
- Past investment preferences

Make an investment plan

- **Determine investment income:** Based on the objectives and goals you identified, you now know the income you need to meet them
- **Considerations:** You need to consider many factors to make an investment plan that meets the adult's income needs and financial goals, including:
 - Current economic conditions
 - Current market conditions
 - Diversification of the investments
 - Liquidity of the investments, for example, how easily can the investments be converted into cash
 - Investment history of the adult
 - The investment strategy

As a prudent investor, we strongly recommend that you deposit funds only with banks, credit unions and financial institutions that are members of the Canada Deposit Insurance Corporation or the Credit Union Deposit Insurance Corporation. Deposits in member institutions are automatically insured against loss up to certain limits. The insurance limit for CDIC insured banks is \$100,000.00. There is no limit for CUDIC-insured B.C. credit unions.

Investing in precious metals, art and antiques is not considered a prudent investment decision for most committees. Investments such as these are

speculative. They may be difficult to sell in a timely manner.

An adult may already own gold, art or antiques and you don't have to sell these assets. As a prudent investor, you'll develop an investment strategy that balances the risk of managing these assets with the needs of the adult.

Conflict of interest

When appointed committee of estate by the court, you are placed in a position of trust to manage the affairs of someone who is not capable. You cannot benefit in any way from the funds that you manage for the adult. You are accountable for the decisions you make. You must act in the adult's best interest and make every effort to reduce the risk of investment losses to the adult's estate.

Your committee review officer will examine the investment plan and investments to make sure that you are fulfilling the prudent investor requirement.

If you invested funds in a way that does not appear prudent, you could be personally responsible for any losses incurred by the adult's estate. The PGT will not be able to pass your accounts if the investment decisions you make are found to be inappropriate. If the accounts are not passed, it can result in losing your committee and you risk legal action from the adult's new committee or the executor/beneficiaries of the adult's estate.

Resources

The B.C. Securities Commission has resources to help investors. You can contact the British Columbia Securities Commission by calling 1-800-373-6393, or email at inquiries@bcsc.bc.ca.

Advice services

Contact your committee review officer if you have questions about your role as committee. They cannot make decisions for you, but they can provide advice, answer questions or suggest resources to help inform your decisions.

Contact the Public Guardian and Trustee

Private Committee Services

700-808 West Hastings Street
Vancouver, B.C. V6C 3L3

Phone 604-660-1500
Email PCSadmin@trustee.bc.ca
Website www.trustee.bc.ca

Toll free calling

Toll free calling is available through Service BC.
After dialing the appropriate number for your area (see below)
request to be transferred to the Public Guardian and Trustee.

Vancouver 604-660-2421
Victoria 250-387-6121
Other areas in B.C. 1-800-663-7867

PGT hours of operation

Monday to Friday 8:30am to 4:30pm