



Investor Clinic

Who will manage my portfolio if I develop dementia?

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I am an 82-year-old woman and currently work with a broker on a commission basis. If I develop dementia, should I transfer to a portfolio manager who would have discretion over my account? What other advice do you have for someone in my position?

Portfolio managers – also known as investment counsellors – manage money for high-net worth individuals, pension funds, foundations and other large investors. They have discretion over the assets and charge a percentage of the money they manage, instead of getting paid through commissions on investments they recommend.

Your question is one that many investors will grapple with as they get older. I asked two fee-only financial planners to comment. Here's what they had to say:

Karin Mizgala, certified financial planner and chief executive of Vancouver-based Money Coaches Canada, a national network of fee-only financial professionals

Many commissioned brokers also offer discretionary investing services, so if she likes working with her current adviser, this may be an option to consider. However, whether the portfolio is discretionary or non-discretionary she would be wise to ensure she has an up-to-date Power of Attorney agreement in place appointing a family member, friend or lawyer she trusts to make decisions about her finances on her behalf if she is no longer able to handle her financial affairs due to illness such as dementia.

Even if her adviser has discretion over her portfolio, her adviser should be accountable to the person she appoints through the Power of Attorney document. To ensure that the Power of Attorney is used appropriately it may be wise to leave the signed document with a lawyer, with instructions it is only to be released with a written medical opinion stating that the client is unable to make financial decision due to incapacity.

If there is a strong likelihood the person appointed with the Power of Attorney will be governing the management of a client's financial affairs at some point, it would be best to have the portfolio structured so the appointed person doesn't have to get too involved in the day-to-day management of the portfolio. A discretionary portfolio would be better suited to this client and I would recommend the portfolio transfer be initiated while the client is healthy and can be involved in the investment decision-making process now.

Jason Heath, certified financial planner with Objective Financial Partners in Toronto

The reader's question is a tough one. There are pros and cons to commission-based versus discretionary fee-based investing period, but I think the focus in this case shouldn't be so much on how the broker is engaged to manage the account, but on the reader's estate plan. She has taken a non-discretionary approach for a reason, and just because she can't work with her broker any more personally if she develops dementia, that doesn't mean someone else can't do so.

A Power of Attorney for property is a legal document used to appoint someone to make financial decisions on your behalf in the event you become sick, injured or disabled. So I'd be having this discussion with the person appointed in my Power of Attorney document to determine if that person could work with the broker in the same way, which they probably could. And if she doesn't have a Power of Attorney or hasn't reviewed the appointment recently, that would be the first step.

If the reader has modest assets, they should probably be invested reasonably conservatively anyway, just based on her age. But in particular, if she's worried about dementia and being provided for during this period, I wouldn't want a lot of trading within my account. Life expectancy for someone diagnosed with dementia may only be four to five years in most cases, particularly in one's 80s, but the cost of care could be fairly large.

If the reader has significant assets, it may or may not change the approach. Again, it's a personal decision based on beneficiaries and the overall estate plan. It could be that the money is being managed only partially for the reader and partially for the next generation, in which case one might consider whether some of the assets might be passed along in advance of either dementia or death. This decision should be made with caution, as I often see too much money being passed along too early to the next generation and for the wrong reasons.

Looking for a portfolio manager? The Portfolio Management Association of Canada (PMAC) has a "find a firm" tool on its website at portfoliomanagement.org. You can also contact PMAC directly for guidance in finding a firm in your area.