Aging DIY investors must plan for succession

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While do-it yourself investors are notorious for making big behavioural mistakes, there is a unique subset of very savvy investors. While they do not make the same costly mistakes of their less disciplined peers, they will face a significant challenge in their elderly years.

These investors have succeeded using a variety of approaches – from picking a concentrated list of individual stocks to the very broad diversification of traditional index investing. The problem: If the family DIY investor predeceases their spouse, often no other family member has the interest or knowledge to continue managing the investments in their absence.

When I have spoken with older DIY investors, many have said to me that they have told their spouse to, “call [name of chosen advisor] if anything happens to me”. While better than nothing, this is not a succession plan. The chosen advisor could retire, become disabled, or die prematurely. The firm of choice could be acquired and change for the worse. And no matter how well you think you know a particular advisor, you never really know until you are working with them in a client-advisor relationship.

If you are your family’s DIY investor, here are my suggestions.

Start your search before you need it

Many aging DIY investors agree with the benefit of engaging an advisor before that person or firm is needed. But they don’t know when to pull the trigger. When is a personal decision. If you’re healthy and have good longevity in your family, you may be able to wait until you’re well into your seventies. But if your health is compromised, you may want to start this process much sooner.

Taking action early – challenges and benefits

When you’ve done something yourself for decades, paying thousands (or tens of thousands) of dollars annually in advisory fees is not palatable when you are still very capable. But making the best decision, in my view, requires choosing and formally engaging a firm earlier than necessary. This will add certainty to the decision.

Having the time to make sure the reality meets (or exceeds) expectations will provide peace of mind. This gives you the opportunity to test the advisor in real time. Then you can experience and assess the advisor first-hand - i.e., discovery, demeanor, thought process, how advice is delivered and documented, thoughtfulness of how questions are addressed, quality of reporting/transparency, diligence regarding follow-up, etc. This also provides the opportunity for your spouse to get to know the advisor with you – and for the advisor to learn what is important to you and your family in terms of service and communication. Otherwise, your surviving spouse will be left to navigate this alone.

Start with registered accounts only

One strategy is to engage an advisor with only registered accounts. Ideally, the dollar total of these accounts should be comfortable for you and meaningful for the advisor. While using only part of your portfolio could result in a higher fee rate (i.e., percentage of the portfolio value), the total dollar fees will be less. And if it doesn’t work out, you can terminate the advisor and start again with no tax consequences if using only RRSP, RRIF, TFSA, or other registered accounts.

Assessing your chosen advisor

In recent years, I wrote a couple of articles on the topics of [finding a professional advisor](https://www.highviewfin.com/blog/finding-a-professional-financial-advisor-a-process-driven-approach/) and [how to tell if your advisor puts your interests first.](https://www.theglobeandmail.com/investing/education/article-five-ways-to-tell-if-you-deal-with-a-client-centric-wealth-management/) More recently, Tom Bradley wrote a great piece aptly titled: [Telling experts from imitators](https://www.theglobeandmail.com/investing/article-cutting-through-the-noise-telling-experts-from-imitators/). These may be helpful in the process of finding your successor.