

Hal's Proposal for Sound Management of Anne's Trust

(updated 6-08-2022)

My personal statement: I have been observing the methods used by the current Trustees for the past 5 years with a large degree of interest, and often an even greater degree of disappointment. I have tried to offer input with various suggestions, none of which have been considered. While I feel they have done some things well, I feel there has been a lack of regard toward Anne displayed by their actions (or lack thereof) in a number of very important ways. I believe that following my proposal would provide much more support for Anne which would benefit her and also improve the monetary value of her Trust.

1) Investing

Fidelity professional account support: I would immediately move Annes funds to a Fidelity managed account. They would perform a through needs assessment to develop their actual investment strategy and selections. But based on some preliminary information I have provided to them, they have already quoted me a rate of somewhere under 1% of total asset value as an annual fee – so ~\$10,000 per year.

General Strategy: They have also indicated to me that they would most likely invest ~2/3s of the money in market type funds, with a mix of domestic and some foreign ones. The goal of these funds would be to provide income growth. The other 1/3 would be invested in less volatile investments such as bonds, or dividend income stocks.

Expected outcome: The expected outcome of this investment strategy would be to allow for growth of value of Anne's Trust, but also to provide a substantial portion that is more stable and not subject to the potential market swings, such that she could draw on that money if need be through the duration of any downturn that might temporarily devalue the rest of the money. This is a time proven strategy to help allow for market growth while simultaneously providing safety and stability of a portion of the funds.

Commentary: The strategy that the current Trustees are using is one they "borrowed" from a 90 year old woman. Her wealth and needs were very different from Anne's. Anne's situation should have been evaluated and the investment strategy altered to match. This never happened. That is very unfortunate. FYI - I removed my money from Trust fund that Brian White had managed and it has done very well.

2) Reporting

Quarterly reports and detailed annual report: I would provide a succinct quarterly update on the value of Anne Trust, and the change in value since the last report. I would also indicate any major expenditures that occurred in the quarter. I would provide a detailed annual report from the investment firm directly. NO HAND WRITTEN REPORTS WILL BE SUBMITTED.

Expected outcome: Everyone in the family would have a clear picture of not only what the investment strategy will be, be exact records every quarter of the value. This would allow everyone to know exactly what is happening with the Trust on a regular basis, with no years-long time lapse like has occurred with the current Trustees.

Commentary: the notion that I could, or ever would have the audacity to try to use Trust funds for my own gain is a disgusting accusation that is as far from my moral character as it could possibly be. To be clear, I have a long history of working with non-profit organizations, and managing their money (and my own) very carefully. It's a matter of public record that I am proud to share with anyone who is interested.

3) Spending

Discretionary spending account for Anne: I would provide Anne with a credit card with a monthly balance capped at an amount that the Trust could afford and that Anne is comfortable with. (Note – this is a common practice for professional Trust Management as was quoted to me from a lawyer in Ann Arbor I have consulted with.) I would propose in initial limit of \$200 per month, and allow it to grow as Anne’s needs and her responsible behavior using it dictate is prudent. (Irresponsible behavior abusing this privilege on her part would either lower the limit or eliminate this offering.)

No Trustee decision making oversight on this account: Anne would be able to spend this on anything she wants, so long as it is a legal expenditure for a Special Needs Trust. Absolutely NO TRUSTEE involvement will be administered unless she herself requests support. And in fact, I would further offer to Anne the ability to “save up” this budgeted amount and also make larger purchases of her choosing when she saved up the money for them. Again, within reason, she could purchase whatever her heart desired, including a \$200 purse, or a side loading washing machine.

End of month Trustee review: the expenditures made would be reviewed every month by the Trustee prior to the bill being paid. So long as all of the purchases were appropriate, it would be paid and the balance would be reset to \$200. If there is unused balance, it would be logged by the Trustee and Anne would be periodically updated on what that balance amounts to.

Note on major purchases: major purchases would still be supported by the Trust on an as-needed basis. These would be subject to appropriate Trustee involvement, but trying to give Anne as much input and involvement in the purchase as possible.

Expected outcome: this would allow Anne to take her friends out for a coffee or lunch once a month (or thereabouts as she chooses). At the proposed \$200 / month level, this would cost the Trust a total annual expense of \$2,400 per year. Peanuts as a monetary sum, but huge in the difference it will make to Anne’s self-confidence and lifestyle – something special for her to indulge in. How could that be a bad thing?

Commentary: The notion that a 65-year-old woman needs to justify every single little purchase she makes is inappropriate. Anne is so frustrated with the process that she has effectively given up and buys most items that the Trust could / should purchase because she doesn’t want to bother the Trustees.

Emergency account: I would also create a Trust checking account and provide a suitable guardian with a debit card for it. This account would be kept at a small but appropriate balance, such as \$1000. In case of emergency, she could contact me and the guardian (or just the guardian if I was not available) and gain access to the card to cover any emergency expenditure that was necessary.

Expected outcome: I believe this will make Anne’s life much more enjoyable, and give her a much larger sense of control. For the first time in her life she will have some “mad money” that she can spend on herself and on her friends if she chooses to treat them now and then. What a rare (more like non-existent) privilege this has been for Anne in her entire life, which is thoroughly discouraging to me personally.

Note: The current Trustees have made absolutely no provisions of this sort, and Anne has been left to worry about what might happen to her if something were to occur and she couldn’t reach her Trustees.

Commentary: I find the lack of regard for Anne’s welfare from the current Trustees in this regard to be irresponsible. My guess is that they simply haven’t ever considered this type of support, which was provided by her parents, but no more. End of life medical issues are the Trustees main priority it seems. Understandable from two doctors as Trustees, but not a good outcome for Anne’s quality of life now.

4) Travel spending budget for Anne AND a companion (* updated 6-8-2022)

Budget: Anne would be provided an annual budget for travel, which she would be encouraged to use as she chooses. My initial proposal was for \$10,000 per year, but I did some research on costs and upped it to \$12,000*. The should is intended to allow for one major international trip per year, plus one domestic trip per year. Of note, if a specific trip was planned that cost more than this budget, allowances (for more spending) would be considered to fund such a trip if Anne desires to experience it.

Logistics: A Trust debit card on a limited checking account could be made available for Anne to use on such trips so that she could manage her own affairs as much as possible.

Companion: She would also have to right to select a companion to travel with. She alone would have the right to choose this companion, with no Trustee input unless there was a safety concern regarding her selection of companion. (That is to say, the Trustee would NOT have the authority to dictate who Anne could and could not select as a companion – certainly not for the reason of such a person’s personal income / wealth or familial status. A friend, cousin, niece or brother could be a suitable companion.)

Expected outcome: Anne’s life would be enhanced immensely, and she would have the ability to help enhance that of a companion of her choice as well whom she could build stronger relationships with.

Commentary: I have suggested for some time that Anne be encouraged to travel with a Trust paid companion. This proposal was met with opposition from the Trustees. On Anne’s last trip, she traveled alone and she fell in the destination airport and cut her face badly and lost a front tooth. It’s not clear that a companion could have prevented this, but it might have with someone to carry her bag for her and lend her an arm. But even if not, it sure would have helped for someone to be with her when she got hurt.

5) Summary

Total financial impact: As proposed this plan would add \$15 grand to the annual Trust budget. This amount coupled with the amount that is generally spent now annually would amount to a total of around \$65,000, which represents only 5% of the Trust’s last reported total value. The Trust can easily afford this additional spending with no appreciable risk to drain the Trust, but the benefits to Anne’s lifestyle and general well-being would be very substantial. In fact, this type of lifestyle was exactly what Anne experienced for years when she was able to lean on her parents for occasional support on purchases, and when they freely funded major trips for her with them or on her own to faraway places like China, Russia, and England. She hasn’t made any such trip in a very long time. (She’s not getting any younger.)

Commentary: I find it very unfortunate that Anne’s Trustees have not allowed her to use her Trust in a manner that enhances her financial independence and encourages her personal life freedom. All Trust spending is rigorously controlled. It is my steadfast opinion that the sooner Anne is provided greater discretion to benefit from her Trust, the better off she will be. If this comes at a cost of \$50,000, that will be very regrettable, but I believe the Trust can make 50 grand per year more than it is making now if better financial management is implemented. So if spending 50 grand now is what it takes to change the manner that the Trust is managed, it seems like the price that may need to be paid and one that can be recouped. So even if the Trustees spend the very large sum of money forecast on their legal defense, a successful outcome would not only help Anne benefit more fully from the Trust now in the manner that her parents envisioned, it should also actually leave her in a more stable financial position in the long run.

Hal Wolff

June 08, 2022 (previous updates: February 14, 2022 & May 14 2022)

May 14th Update Notes:

Note on travel budget: this updated proposal was primarily made to update the budget I proposed for travel for Anne and a companion. I recently did a significant amount of research on the types of trips that I felt would be appropriate for Anne to consider – those being trips abroad of the type that she used to take with out parents, and trips they used to send her on. (Trips such as the one they took together to China, and to Russia, and trips Anne herself took to England (she took two of those). These trips were not "individual trips" planned and orchestrated by Anne herself – they were tours. (Generally they were Delta College Alumni tours)

In reviewing this type of trip on various websites I found a wide price range for the types of trips I felt Anne would be interested in. These trips included ones such as an African Safari, a trip to Australia or New Zealand or Japan, or various tours in Europe (such as Portugal or Scandinavia among many choices). Most of these tours (which seemed to quite commonly span ~10 days) cost in the \$5,000 range. And some could be a good bit more than that, such as a trip to the Galapagos Islands. (Those seem to start at more like \$8,000.)

So the \$12,000 I now recommend (up from \$10 grand) is based on the research. (And yes, I do have some records of the trips I reviewed, and I did not take the highest priced ones I could find, I tried to select ones I felt would be interesting, and in a midrange price point, likely similar to ones that Anne would have taken with Mom and Dad.

The additional \$2000 was to allow for a domestic trip every year as well as a trip abroad. Such a trip was modeled more towards the type that I have arranged for her, where she and I traveled to Colorado, or to California to visit relatives and scenic areas. Such a trip could obviously be done at a much lower price than a trip abroad. One such trip Anne herself suggested recently was a RR charter trip that took people to Yellowstone, and stayed there in the park at lodges for a week or so, and likely provides for meals and some transportation around the park.

So the total allotment for travel and the spending budget would total $\$12,000 + \$2,400 = \$14,400$. I rounded that up to 15 grand to add a bit of wiggle room just in case. The spending rule of thumb is the 4% rule – that is with any Trust, if you limit your spending to 4% or less of the total value, you should never run out. Some conservative investors have altered that to a 3% rule. My proposal falls below that, so it is quite conservative, and would actually allow it to be expanded if there was consideration for that.