In sickness and in health: A standby trust

The news, when it came, was unexpected and devastating. Jon Williams (the name and details are fictitious) had been experiencing crippling headaches for some time. He went to his doctor: A scan revealed a brain tumor.

The chance of Jon's survival without surgery was not good. With surgery, the outlook was somewhat more optimistic. Even so, the advice of both his doctor and his lawyer was to get his financial affairs in order.

Jon's first concern was his family. He had married in his late 30s; his two children were still in elementary school. A plan was needed, and quickly, to address the impact of his health on his finances—in the present as well as the uncertain tomorrow.

Fortunately, his medical insurance coverage was substantial. There was a small long-term disability insurance policy from work, and Jon had supplemented it with additional coverage.

He had reviewed his life insurance when his second child was born, adding $500,000 more in coverage. There was mortgage insurance to guarantee that the roof remained over the family's head. Jon's wife, Barbara, had a career with a salary and benefits that would keep the family afloat.

With his lawyer Jon reviewed his will and estate plan to be sure that everything was in order. Because he decided that he did not want to be kept alive by heroic means, Jon signed a living will—with the proper instructions regarding the use of life-support systems.

Finally, upon the advice of his attorney, Jon and Barbara sat down and talked with a trust officer about setting up a living trust.

Together they discussed the issue of management of the family assets in the event that Jon died or was incapacitated for a long period of time. Barbara faced a difficult time, even in the best of circumstances. While Jon was recovering, she would have to take care of family and home, keep up with her career and, of course, try to spend as much time as possible with Jon. Taking the time to handle the family finances would be an added burden for her. If the worst occurred, she would have to take on the permanent responsibility of investment manager, a job that she admitted that she would not be, under the circumstances, equipped to handle.

The arrangement Jon and Barbara worked out with the trust officer solved their problems easily. They created a trust and named us to act as trustee. They transferred their securities to the trust and arranged for the proceeds from his life insurance policy to be paid to the trust.

We immediately took over the job of handling all the details and paperwork of Jon and Barbara's investments. The agreement provided that the actual investment decisions would continue to be handled by Jon and Barbara until they notified the bank otherwise. In other words, during his surgery and recovery period, we would take over the role of investment manager. Then, if and when Jon or Barbara wanted to resume control of the management aspect of their portfolio again, they would just notify us.

That was six months ago. Jon came through the surgery. And although there was a long recovery period, he is now just about back to his regular schedule. Barbara and the kids managed well, and we took care of the day-to-day investment chores, as well as the overall management of the family portfolio.

The trust arrangement remains in place. Jon and Barbara find leaving the detail work to someone else is a great relief. And having just weathered a serious health crisis, they realize the importance of having a financial management plan in place to cover all contingencies—a trust that works in health as well as in sickness.