



# Quarterly Exchange

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## **Chan & Mai Wealth Management**

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The fall season is an ideal time to reset, refocus, and prepare for what's ahead. As the days grow shorter and the pace of the year begins to shift, autumn offers a valuable opportunity to reflect on progress, gather fresh perspective, and set thoughtful priorities. Here are three insightful articles to help you embrace the season with clarity and purpose.



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## How a family trust can benefit a family business



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**Passing the family business to the next generation comes with unique challenges. A family trust could help you manage the tax process as well as allow owners to maintain some control.**

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Zofia De Oliveira, Senior Private Banker, TD Wealth, shares the story of a family-owned construction business in Alberta that was founded decades ago by two brothers and a friend. A generation on, it remains a vital, expanding enterprise. Yet, because the company's shares are still personally owned within the family, there are important conversations ahead. Ironically, because of the company's long-term growth and success, it could be facing its biggest hurdle yet: the issue of succession. It's a milestone every family business will face at some point, and it requires some strategic planning.

As a private banker, De Oliveira has worked with a broad range of people and companies throughout

her career. Despite the variety, she says she encounters similar themes when working with family-owned companies who are looking to pass their business down to the next generation.

"Many of them are grappling with the same complexities. Namely, how can you ensure some sort of continued control and future prosperity for your business?" De Oliveira adds that the answer is often muddled by family dynamics and history.

In many cases, establishing a family trust could be the path forward. Not only can a family trust allow some degree of control over the future management of a business, but it can also allow the family greater flexibility when it comes to tax management.

A family trust is a legal arrangement that allows assets to be managed by a trustee on behalf of, and for the benefit of, the beneficiaries. When properly structured, a trust can offer a form of confidentiality and creditor protection. It can also support certain tax planning strategies.

Here are a few ways family trusts can benefit family businesses when it comes to succession planning.

### **Allow current business owners to set long-term objectives and controls**

A trust agreement sets out the objectives of the trust and the scope of the trustee's power: In this way, the business owner who establishes the trust can cement guidelines that will provide ongoing direction for the management of the assets. For example, the trust might name both *income* beneficiaries — who will benefit from the underlying income from the trust's assets — and *capital* beneficiaries — those who are entitled to the trust's capital (i.e., assets).

While the business owner who draws up the trust documents and appoints the trustee has a high degree of influence, once the assets are transferred to the trust, the owner surrenders ownership of those assets. As such, it's imperative that the owner ensure the trust's documented objectives are in line with their business goals.

### **Provide flexibility around tax planning**

A trust can also be an effective tax-planning tool. Consider a business owner who holds multiple companies. When they die, their assets will be subject to significant capital gains taxes, which could negatively impact what is left available to their beneficiaries. Transferring assets to a family trust can help manage future capital gains, while providing some control over when and how that tax is paid.

While establishing a family trust can result in families having to pay capital gains tax sooner — where available, the [lifetime capital gains exemption \(LCGE\)](#) can reduce or eliminate these taxable gains. What's more, the LCGE can be multiplied further by each trust beneficiary, should the shares be sold in the future and certain criteria met.

Take note: Once assets are transferred to a family trust, they are subject to something called the

[21-year rule](#) which dictates that a trust is deemed to have disposed of (and reacquired) its assets at fair market value every 21 years (therefore incurring capital gains tax).

### **Option to use an estate freeze**

An estate freeze is a tax and estate planning strategy generally used by business owners to lock in the current value of the firm, in order to pass on future growth to a successor owner in an affordable way.

While an estate freeze can be used outside the bounds of a family trust, it's often used in conjunction with a trust to help manage taxes when passing down a family business. The strategy involves the business owner exchanging their common shares for preferred shares (also referred to as "frozen shares"), while the trust subscribes to new common shares. The idea being that any future growth would no longer be considered part of the business owner's taxable estate.

"Remember, it's hard to predict the future," cautions De Oliveira. Care should be taken when using this strategy because business owners must accurately assess whether their lifestyle needs will continue to be met if a significant portion of their assets do not grow in value.

### **Facilitate provisions for minors**

De Oliveira says one of the primary concerns business owners voice revolves around their ability to provide for minors or those with a disability. Other times, families may want to protect their wealth from certain family members — either temporarily or permanently — for a variety of reasons.

"One family I worked with wanted to limit access for one of their adult children. As the business's owners, they were afraid the funds would negatively impact their kid's life," she says, adding that a family trust can be structured in such a way to carefully allocate funds.

Ultimately, De Oliveira recommends Canadians seek both tax and legal advice when setting up a trust, and consult a financial advisor to help ensure their family's personal and business goals are preserved during the transition. While a family trust has many benefits, De Oliveira says families should also consider the costs, time and responsibility required to maintain one.

"Restructuring ownership can take time," she says. "Families will often have meetings over a boardroom table and then everyone goes home and has another meeting over the kitchen table. Often, they come back with different concerns, which can take a while to settle."

If you're interested in learning more about family trusts, don't wait to get started. Speak to your private banker and wealth advisor.

- Don Sutton



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Let's talk money:  
A practical guide  
for families



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**From timing and tone to setting the stage — here's how to make money conversations a little less awkward.**

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Money often plays a key role across different generations — whether its parents supporting their children through major life milestones, adults helping aging parents or siblings navigating the complexities of an inheritance. That's why open and honest conversations about finances are so important. But they can be a little awkward and even cause division if you're not careful.

Therapist Elana Sures knows this issue well. She's seen money pull families apart too many times. The clinical director of Open Space Counselling in Vancouver, B.C., describes one instance where a client sought her support to deal with the breakdown of their family in the wake of their

mother's death. The client and their siblings had been devastated to learn that their inheritance from a highly valued family business wasn't what they had hoped for.

"There was a lawyer present at every conversation," recalls Sures, adding that the process was cold and formal, with little consideration for the emotional impact of these discussions. Inevitably, years of pent-up anxiety spilled over, heated words were exchanged and the family left deeply divided. "It wasn't very sensitively handled," she says. "The vibe was, you should just get over this."

While this family's experience isn't unique, it doesn't always have to end this way. Financial discussions within families can be touchy and emotionally charged, but with ongoing cost-of-living pressures, these conversations can be very beneficial.

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## Although we may need to make difficult financial decisions on occasion, it's important to preserve the well-being of the family along the way.

ELANA SURES

Clinical Director, Open Space Counselling, Vancouver

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According to a recent survey by the Canadian Scholarship Trust Foundation, talking about money is becoming less taboo among younger Canadians. More than 50% of those surveyed aged 18–34 said they frequently speak to their families about money.<sup>1</sup> In comparison, just 31% of those 55 and older said they'd engaged in similar conversations when growing up.<sup>2</sup>

Overall, 71% of respondents reported feeling comfortable or very comfortable discussing money with immediate family members. The key is knowing how to go about it.<sup>3</sup>

With the right timing, setting and strategy in place, Sures says you can transform potentially divisive talks into opportunities for deeper understanding, clear boundaries and a strong financial future that satisfies both your own life goals and those of your children and grandchildren for years to come. Here's how:

### Schedule the conversation

Ambushing family members over a holiday dinner likely won't go well. Instead, Sures suggests getting something into the calendar ahead of time. Let your family know what you want to talk about, whether it's the family cottage or who will pay for elder care. Keep in mind, many of these discussions won't happen in one sitting — you might start with an hour and then choose to meet again a few weeks later. Some high-net-worth families even hold weekend retreats with financial advisors who can help facilitate discussions. Others meet at least once a year, recognizing that these conversations often evolve over time.

Whatever your preferred conversation cadence, start by setting aside some time.

### Choose your setting thoughtfully

Today's economic pressures mean many adult children continue to rely on family support for everything from a downpayment on a home to everyday expenses. This can create an unequal dynamic and a layer of tension to estate planning discussions. "If you're the person with the money, it might be a good idea to ask the other person where they'd like to have the conversation," says Sures. Speaking on neutral territory, like a quiet cafe or park bench, could make everyone more comfortable.

### Allow everyone to share their thoughts

In too many cases, parents are the ones who end up leading the discussion — if not outright dictating their plans. Productive conversations involve everyone seated at the table and an open exchange of ideas. After all, there may be factors parents haven't considered in their deliberations, like the child's own plans for the future. If you find this challenging, Sures suggests trying to put yourself in the other person's shoes and asking open-ended questions.

### Accept different values and expectations

Have you ever had a conversation with someone much older than you, where what they're saying was difficult to relate to? While that may be the case when two generations talk about things like music or table manners, generational divides can be present in financial discussions, too. Your own perspective is shaped by many variables,





including your age, culture and experience. “Older generations often have a reaction to younger ones demonstrating any sort of entitlement because they themselves worked so hard,” says Sures. “But from their kids’ point of view, their parents had an entirely different, and less challenging, reality.” Recognizing different perspectives is crucial — even if you think the other person’s concerns are overblown. “It’s about understanding what’s true for them without judgment,” says Sures.

### **Boost your financial literacy**

Talking about money with family is important, but for those conversations to be productive, everyone should have some understanding of the financial basics. For example, while it might be nice for a grandmother to bequeath the family cottage to her grandchildren, the gesture could cause friction if it’s accepted without a comprehensive understanding of the implications. In this case, if the grandchildren aren’t budgeting for maintenance or divvying up ownership fairly, the gift could end up causing unintended quarrels.

### **Understand compromise is key**

As the conversation moves forward, practical solutions and steps will need to be agreed upon. Rather than simply asserting what’s going to happen, try to share your challenges and constraints openly in the hope of reaching a

happy middle. Sures says finding areas where compromise and negotiation are possible begins by being honest about personal or financial limitations. For instance, while your child may really want \$300,000 to put toward a house, being honest with them about how a gift of this size would negatively impact your retirement could help temper their expectations.

Take a beat: If someone becomes defensive or shuts down, or if the conversation becomes unproductive, it can help to take a break. What’s more, pausing things could help preserve your relationships and keep future conversations productive.

Don’t be afraid to ask for help: If the topics you’re discussing are uncomfortable or complex, it can help to bring in a professional for help. “There are therapists who specialize in mediation between adult family members,” Sures explains. A wealth advisor is another good resource, particularly because much of the time that person will already be familiar with your finances.

Ultimately, Sures says families should focus on maintaining healthy relationships throughout this process. “Although we may need to make important or difficult financial decisions on occasion, it’s important to preserve the well-being of the family along the way.”

- MoneyTalk

<sup>1</sup> Jonathan Got, “Most Canadians find discussing finances with immediate family challenging,” Investment Executive, February 14, 2025, <https://www.investmentexecutive.com/news/industry-news/most-canadians-find-discussing-finances-with-immediate-family-challenging/>.

<sup>2</sup> Ibid.

<sup>3</sup> Ibid.

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## How donating securities can be more tax-efficient than cash



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### **Giving to charity can make you feel good. Donating while minimizing tax can maximize the impact and make you feel even better.**

Aiming to maximize the impact of their charitable donations, many Canadians are exploring tax-efficient philanthropic strategies. While donating cash is common, contributing appreciated securities — such as publicly traded stocks or mutual funds — can be far more tax-efficient.

According to Jo-Anne Ryan, Vice President of Philanthropic Advisory Services at TD Wealth and Executive Director of the Private Giving Foundation, “People give because they care about their communities. But if we educate them on smarter ways to give, they can increase their impact.”

Donating appreciated securities has a dual-tax benefit. One, you receive a charitable tax receipt —

often resulting in a credit worth roughly 50% of the donation, depending on your province. Two (and perhaps more importantly), you also eliminate the capital gains tax you would normally owe if you first sold the security yourself.

Nicole Ewing, Principal, Wealth Planning Office at TD Wealth, provides an example: If you were to donate \$100,000 in securities that you initially paid \$20,000 for, it would typically trigger an \$80,000 capital gain — half of which is taxable. Donating the securities avoids that tax altogether and yields a significantly higher after-tax benefit. “It’s a \$21,000 difference just by donating securities instead of cash,” she says.

# Donating \$100K in securities:

Sell and donate cash or donate the shares directly?

Let's do the math.

	SELL AND DONATE CASH	DONATE SHARES IN-KIND
<b>DONATION AMOUNT</b>	\$100K	\$100k
<b>INITIAL INVESTMENT</b>	\$20K	\$20K
<b>CAPITAL GAIN</b>	\$80K	\$80K
<b>TAX ON CAPITAL GAIN @53.53%</b>	\$21,412	N/A
<b>TAX SAVINGS VIA DONATION TAX CREDIT</b>	\$40,119.78	\$40,119.78
<b>TOTAL "COST" TO DONOR</b>	<b>\$81,292.22</b>	<b>\$59,880.22</b>



SOURCE: TD WEALTH PRIVATE WEALTH MANAGEMENT, AS OF NOVEMBER 27, 2024.

For those looking for a simpler, long-term giving strategy, Ryan suggests working with a donor advised fund such as the Private Giving Foundation, an independent public charity founded and managed by TD Bank. "It's an easy alternative to setting up your own private foundation. You can open an account with as little as \$10,000, get your tax receipt, and decide later which charities to support," she explains. This is particularly useful as year-end approaches and tax deadlines loom.

To make the most of your giving, Ryan says she always recommends developing a philanthropic plan that reflects your values. "With over 86,000 charities in Canada, it helps to focus. You'll have could more impact and avoid donor fatigue," she says.

Ultimately, thoughtful charitable giving is about maximizing both impact and efficiency. Working with financial and tax advisors, accountants and philanthropic experts can help ensure your generosity makes the biggest difference possible.

- Susan Prince

**If you have any questions about the content in these articles, or need help navigating any of the challenges discussed, please do not hesitate to reach out.**

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