Quarterly Exchange

Spring 2023

Chan & Mai Wealth Management
TD Wealth Private Investment Advice
Unit 306, 5811 Cooney Road
Richmond, BC V6X 3M1
Office tel: 604-482-5145
https://advisors.td.com/chanmaiwealthmanagement/

Top considerations for your retirement plan

For most of us, spring is a normal cycle of transition from colder to summer months. But for some people, spring is the perfect time to evaluate their financial choices and ensure they are ready for life's unexpected turns. In this edition of Quarterly Exchange, I've handpicked three articles to guide you in remembering a few critical parts of your plan that you should consider as you think about retirement.

The first article highlights the benefit of having a Will and the disadvantage of not having one. Having a Will in place means that you will have the last say when it comes to your assets and how they will be distributed. One of the major disadvantages of not having a Will is that estate law can kick in and your assets may be distributed according to law, not your wishes.

The second article emphasizes the importance of retirement planning. Though retirement may seem like an event in the future, preparation for a peaceful retirement starts now, not on the day you retire. As you approach retirement, an advisor can help you design your post-career life and help ensure you have a solid plan in place to support your financial goals.

Like the second article, the third article is future-looking, but may have serious financial consequences if not executed correctly. The article explores how you can help your children purchase a home and protect your money when you retire. The article emphasizes the importance of going through the process of wealth transfer so as not to cause money problems along the way.

Staying on top of your financial choices amid the changing current of life ensures that your future is secure. I encourage you to have a Will in place to protect your assets, continue to evaluate your retirement plan, and that you protect yourself from any financial uncertainty should you help your children buy their first home.

Please let me know if you have any questions about any of the content in this newsletter's edition, as always I am here to support you in all of your wealth management needs.

Why you shouldn't put off writing a Will

Too many Canadians are dying without a Will, leaving children, heirs and assets in limbo. Here's why you should consider writing your own will today.

We're often surprised to hear about celebrities worth millions dying without a Will. Due to their fame, it seems unfathomable that someone who is consistently surrounded by wealth advisors, business consultants and lawyers would not have their estate in order should something happen to them. Without a Will, legal proceedings to divvy up an estate are the only way to decide who gets what. It's a process that can be lengthy, expensive and ultimately not what the deceased wanted.

You might be equally surprised to learn that over half of Canadian adults do not have a signed Will.[1] Why not? According to one poll, the most common reason is that most believe they're too young.[2] No one expects to die at a young age, so people often put off writing a Will until they're in their 60s or 70s. Sadly, that could be too late.

"Anyone who can legally do so should have a Will," says Nicole Ewing, Director Tax and Estate Planning, Wealth Advisory Services, TD Wealth. "If you die prematurely, no one — not a parent, not a spouse — has the automatic right to deal with your affairs."

Here are a few (more positive) reasons to update your Will sooner rather than later.

You get to choose who will act on your behalf

Without a Will, your heirs have to apply to a probate court to divvy up your estate. The probate court will then appoint an administrator. Ultimately, the process can be lengthy and expensive.

"If you die without a Will in Canada, provincial legislation determines who may administer your estate, including decisions with respect to funeral arrangements, and where your assets will go," says Ewing. "A common-law spouse or a step-child, for example, could be excluded entirely."

In contrast, having a Will allows you to appoint an executor you trust to administer the estate affairs on your behalf. Because they wield significant power after you pass, it's important to choose someone who is diligent, thorough and likely to survive you. Alternatively, you can hire a trust company that has knowledge of estates and probate.

In addition to managing your estate after you're gone, your executor also has the authority to make funeral arrangements that reflect your wishes as well as wrap up any outstanding financial matters.

Which leads us to…

You have the last say when it comes to your assets

Whether you have millions of dollars in your account, or just a set of nice teacups, your Will allows you to decide where your assets go after you pass. Naturally, telling your heirs what you want to do with your stuff will make it easier on everyone. And a Will allows for that. If you don't have a Will, estate law kicks in and ultimately your assets may be distributed according to the law, not your wishes. Further, without a Will, a court is likely to split assets between your closest relatives without taking your friends or "chosen family" into account. And if your relatives can't be located? The government may even keep your assets.

If your estate plan is fairly straightforward, you may be under the impression you don't really need a Will. But legal battles can break out with even the simplest of cases, and for good reason. For instance, what happens if you have a valuable asset that can't be split evenly — like a cottage or a business? Things can get complicated without a roadmap. In addition to preventing infighting among those you want to inherit, a Will can also help to exclude those you don't.

You decide who will look after your dependents

Wills aren't just for distributing assets. If you have minor children, a Will allows you to name the person of your choice to take care of them after you're gone. While ultimately the court will determine what it believes is in the best interest of the child, a parent's reference can go a long way. In addition to naming the individual a parent would prefer, Ewing says "a Will can also include clauses to deal with when and how any inheritance would flow to your dependents."

A Will can help minimize after-death taxes

The government may be an additional "heir" that few people think of but should. After all, passing on certain assets, like a cottage or vacation home, may result in a hefty tax bill. However, as Ewing points out, a well-constructed Will can potentially mitigate certain types of after-death taxes: "In Ontario, for example, there are two types of taxes payable on death, income tax and estate administration tax, commonly referred to as probate fees," says Ewing. "And both types of tax can be minimized with proper planning."

A Will can help you leave a legacy

Ewing warns that without a Will, no one has the authority to bequeath your money to the charities you cared about in life (and perhaps wanted to support in death). By sharing your charitable intentions with your advisor ahead of time, you can help ensure you leave the legacy you want.

Moreover, Ewing says your advisor may have recommendations about gifting that both reduce your tax bill and maximize the value of the charitable gift. She adds: "Canada's charitable donation rules allow for significant opportunities, but the best outcomes require planning. It's more important than ever to seek advice from your professional advisors to make sure your charitable gift is structured appropriately."

None of us knows how much time we have left. That's why making a plan now is so important. After all, you don't want to leave the care of your dependents, your assets and your legacy up to chance. As you ponder next steps, remember that creating a Will doesn't have to be expensive or time consuming. "If your affairs are simple and straightforward, the Will preparation process will be too. If they're not, all the more reason to not leave your family members with the burden of sorting out your affairs," says Ewing.

— MoneyTalk Staff

1 "What 'will' happen with your assets? Half of Canadian adults say they don't have a last will and testament," Angus Reid, January 23, 2018, https://angusreid.org/will-and-testament/.

2 Ibid.

Retirement rethink

For many women, retirement is a new and exciting opportunity to embark on the next chapter of life. So why do so few of us make a proper plan for it? Here are seven ways that women approaching retirement may discover renewed purpose and fulfillment.

There's been a lot of talk about "quiet quitting" in the news recently — the idea that employees are doing just enough to meet their job description and little more. But what about another salient trend among retirees, "quiet returning"?

Many people may think of retirement as a "full stop" moment: an irreversible decision that signals a new life chapter. Although that may be true for some, in my experience, many other women are reconsidering what retirement means for them. Yes, leisure time with loved ones, travel and hobbies all have their place post-career. But what happens if you miss the challenge, meaning, camaraderie and even the money that came from your career?

In some cases, retirees may actually return to work because retirement has failed to offer them the fulfillment they expected.[1] For those who do return to work, there can be emotional, cognitive and physical benefits. Work can also provide daily structure, a sense of identity, social and intellectual engagement, even joy — all things that help contribute to overall health as we age.

While not everyone may want to continue working past the age of 65, it's important to find purpose in what you do, whatever that might be. More than ever, retirement is becoming a process, not a discrete life event. With so many options to choose from, planning what to do once you retire can be complicated.

Let's explore some of the things you might consider.

that one of your post-career intentions is to spend more time with family and friends. Try to incorporate a little of that social time into your pre-retirement life as part of your test drive. It may be as easy as an extra 15-minute phone call each week to catch up with a friend. The point is to get started on a retirement intention that is important to you, while you are still working. Remember, every little bit counts!

Planning a retirement that suits you

1. **Reflect on where you are in the life cycle:** What you want to do with your time may be influenced by whether your children have fully launched, recently returned and if you have grandchildren. The same goes for caring for elders, including parents or spouses. According to a recent report from the National Council on Aging (NCOA), seven out of 10 women in retirement are caregivers.[2] If you're acting as someone's primary caregiver, it may be difficult to carve time out of your schedule to do other things. However, by reflecting on what is meaningful for you, and where you might be in five years' time, you can begin to make plans around these types of responsibilities.
2. **Stay on top of your finances:** Finances are often our first consideration when we think about retirement, and for good reason. They can help determine what you're able to do post-career. As you approach retirement, a financial advisor can help you design your post-career life and help ensure you have a solid plan in place to support your social and experiential goals.
3. **Take a "test drive":** Consider all of the things you would like to do after you retire. Your list might include things like volunteering, time with family, freelance work or travel. Write them all down. Taking the time to think and write about this topic will be the first few kilometers of your retirement "test drive." Let's say, for example,
4. **Evaluate your relationships:** According to a recent study, healthy relationships are the most important ingredient for a happy retirement — well-being and deep personal relationships are highly correlated.[3] As you prepare for the future, remember to take some time to evaluate which relationships you want to continue to nurture into retirement. Are there any you have built in the workplace that you'd like to maintain? Being intentional about our relationships provides us with the social support we need and deserve.
5. **Tap into flow activities:** Make a list of the activities you enjoy or have enjoyed in the past — those that put you into a state of flow — where time passes quickly and you are fully engaged. These activities might be artistic, spiritual or athletic. Essentially, anything healthy that you enjoy and find yourself making time for — even if it means staying up late or fitting it into a busy schedule. Once you have your list, consider using these activities to help ease your transition into retirement and lower any stress you might feel as you process the change.
6. **Become a mentor:** At some point in your retirement, you may want to contribute to the greater good by mentoring the next generation. Life experience, wisdom, institutional and cultural knowledge are priceless and much-needed as the work world continues to evolve. Mentoring can take as little effort as a phone call or email. Or it can mean becoming an integrated advisor or consultant on a team. Regardless of your preferred time commitment or level of involvement, it's important to remember that someone out there needs to learn what you already know!
7. **Make time to "landmark" in retirement (Are we having fun yet?):** Many consider retirement an endpoint. However, it's really the beginning of a new life chapter. As such, you may want to set points in time (e.g., annually) when you pause and assess how things are going. What do you like about this phase of life and what

could use some tweaking? Landmarking, or reflecting on where you are in life, can become more difficult after the age of 65 as the retirement landscape has few obvious markers. Prior to retirement, your landmarks may have included settling down, going to school or achieving a significant promotion. In retirement, you may want to set new intentions and mark them on the horizon of your life.

Retirement 2.0 is a process

I like to think of retirement as a process, rather than a singular event. In many ways, it is the continuation of the life you are already leading, with many of the same joys, relationships, activities and challenges. That may mean continued work, and it may not.

At the same time, retirement can also bring age-related changes and personal health issues. As such, it's best not to hold out for "someday," but rather begin to incorporate what you imagine you may enjoy during retirement now. A proactive approach to retirement can allow you to test drive many elements of your retirement without having to wait for the change itself.

We all hope for a healthy, secure and fulfilling retirement. Since hope is not a strategy, it can help to meet with a financial advisor to begin designing the retirement you desire and help ensure that your social and experiential goals are on firm financial ground.

— Dr. Nasreen Khatri

Dr. Nasreen Khatri is an award-winning registered clinical psychologist, gerontologist and neuroscientist with 20 years of professional experience. She specializes in the assessment, treatment and research of mood and anxiety disorders in women and aging at the Rotman Research Institute in Toronto. She is also a Scientific Officer of the Centre for Aging and Brain Health Innovation at the Baycrest Centre.

[1] "Women and Retirement: When They Retire, How They Plan, and Where Help Is Needed," National Council on Aging, March 22, 2022, https://preview.ncoa.org/article/women-and-retirement-when-they-retire-how-they-plan-and-where-help-is-needed.

[2] Ibid.

[3] "What the longest study on human happiness found is the key to a good life," The Atlantic, January 19, 2023, https://www.theatlantic.com/ideas/archive/2023/01/harvard-happiness-study-relationships/672753/.

Can you help your kids buy their first home and protect your money in the process?

Many parents want to help their kids buy a first home. Is this a good idea, and if so, what's the best way to do it?

Parents may dread the moment their teen first asks for the car keys. Nowadays, there's another request they may fear even more: the day their adult child asks for money to buy their first home.

High home values have not made this an easy ask, even if average housing prices have tumbled as much as 25% from their highs in 2022.[1] For many would-be homeowners, prices have not tumbled enough. A home remains out of reach for many within the millennial and Gen Z generations, especially around the urban core of Canada's biggest cities.[2] And although families typically finance their kids as they settle into adulthood, the size of the money transfers required today is becoming problematic, not to say stressful, for all involved. Funding your kid's down payment may mean treading a thin line between funding a loved one's aspirations and shredding your own savings, between making your kid happy and yourself uneasy.

Laima Alberings, a Tax and Estate Planner, Wealth Advisory Services, at TD Wealth, says because the sums of money needed to afford a home are now sizable, parents need to take precautions before they begin handing out money. Media reports say transfers of $125,000 are now common in urban centres.[3] If moms and dads are going to float their kid's down payment, Alberings says some methods may be better than others, but all are dependent on the family's situation.

"If Mom and Dad have to give $100,000 to their child for a home — maybe to more than one child — they must make a serious financial plan to ensure they can actually afford this transfer and be confident they are not causing money problems for themselves," she says.

Is your kid eyeing real estate listings? Alberings says there is a list of options and ideas people should study before they lend or give away money to their kids. Each option comes with benefits and complications, but everything should be carefully considered with the help of a team of financial and legal professionals.

Transferring money is a personal decision

Before supporting a child's home purchase, Alberings suggests parents sit back and ask themselves: "Is this really a good idea for everyone involved?"

"A loan or a gift must fit the economic realities and personal situation of the child. If they can't afford a down payment now, what will happen when they renegotiate their mortgage, or if expenses come up suddenly?" asks Alberings.

Signing a cheque over to an adult who does not have regular income, is going through a divorce or separation or is undisciplined with money, for example, may not be a good idea. If there are any red flags, you may want to rethink your decision.

Alberings says before you write that cheque, consider how to protect that money from divorce or separation proceedings or a child's creditors.

Ponder too, how you might balance a gift or loan to one child for a home and giving away the same amount to their sibling for something different, like assisting with their business start-up.

Ultimately, Alberings says parents must put themselves first. Before considering a substantial gift or loan, you should have a financial plan of your own which includes a comfortable retirement and funds for care as you age. Only once that kind of planning has been worked out, can you decide how much extraneous wealth you can part with.

Making it a gift

If both you and your child agree on a gift of funds, with no obligations attached and no expectations of it being paid back, simply giving a child money could be a transaction that suits you — especially since gifting usually doesn't carry tax implications in Canada. In some cases, it may be thought of as an early inheritance. Both sides should agree, however, once money is surrendered, there is no recourse if one party asks for the funds back or starts setting conditions on the gift. If those impediments make you nervous, perhaps another way of transferring money is more practical.

Even if giving away money sounds simple and straightforward, there are some subtle difficulties people should be aware of, says Alberings.

These complications can occur when a parent's estate is being processed. If, for example, one sibling says the $50,000 they received from their parents was a gift, but another sibling says it was actually a loan that should be paid back to the estate, it may cause acrimony and even result in litigation.

To prevent this issue, it is important that parents properly document the gift in writing, which in the legal world is called a "Deed of Gift."

Making it a loan

If you wish to give your child money, but require that the funds be paid back, Alberings says a loan may be more appropriate. She emphasizes that it is important to see a lawyer to have a proper loan document prepared. An informal agreement decided over a family meal is not advisable since it could lead to conflict if family members aren't able to agree on what the terms originally were. Moreover, an informal agreement may not stand up in court if it came to that, says Alberings.

She also points out that the child should make documented repayments on the loan. Again, this process actually helps validate the loan: A court may not view the transaction as a loan if there is

no record of actual repayments.

In addition to giving parents some control over the funds, a loan also offers parents the flexibility of forgiving the loan at some point if they choose, either while they are alive or as part of their estate plan when they pass away.

Being a guarantor or co-signer to a mortgage

If a child has an insufficient or poor credit history, a parent can become a guarantor for their child's mortgage. If a child can't be approved for a mortgage because they have inadequate income for the payments or they have irregular income because they are a consultant or freelancer, a parent can be a co-signer for the mortgage. The benefit of either type of arrangement, Alberings says, is that the child can receive a mortgage and get a home even though they wouldn't qualify on their own.

She says parents must examine these arrangements with a cool head. If an adult child can't qualify for a mortgage, their parents assume the risk associated with the real estate transaction. If the child can't make the payments, the co-signor or guarantor is on the hook and the lending institution may take action against both the child and the parent for non-payment. Moreover, if there are legal issues around repayment, those circumstances may prevent the parents from receiving their own loan from a financial institution.

Using a discretionary trust

A more complicated arrangement involves a parent arranging to purchase a property through a discretionary trust and then allowing the adult child to live there. This action doesn't really provide

an adult child with the financial responsibilities that come with owning real estate, but it does get them into a home. The adult child can only use the property in accordance with the terms of the trust and it should stipulate who has the right to live in the home and how the property should be used. This may protect the home from creditors or the fallout of a divorce or separation.

However, the downside of this type of arrangement is that the child is still reliant on the parent for accommodation, and they are not able to build any credit history from it. Using a trust with other arrangements — such as letting the child pay rent while living in the home or passing the property on to them in a Will — may be something a parent should discuss with their financial planner or advisor and lawyer. As well, there are costs involved with a trust as the arrangement would involve lawyers and annual administration fees.

Alberings says the housing situation in Canada has presented the parents of first-time buyers with some difficult decisions. One of the big changes to their financial planning has been a growing need for parents to transfer substantial sums of money to their children, potentially disrupting their current financial situations.

Ultimately, Alberings says parents and their children should consult a financial planner or advisor when evaluating the best way forward. A well-thought-out arrangement could be the key to helping your child achieve their financial goals, while protecting your money as well.

— Don Sutton, *MoneyTalk Life*

[1] Rishi Sondhi, Canadian Housing Outlook: Testing the Foundation, TD Economics, Aug. 29, 2022, Accessed Nov. 28, 2022, economics.td.com/ca-testing-the-foundation

[2] To buy or to rent: The housing market continues to be reshaped by several factors as Canadians search for an affordable place to call home, Statistics Canada, Sept. 21, 2022, accessed Nov. 28, 2022, www150.statcan.gc.ca/n1/daily-quotidien/220921/dq220921b-eng.htm

[3] Rob Carrick, Parents gave their adult kids more than $10-billion to buy houses in the past year, The Globe and Mail, Oct. 24, 2021, accessed Nov 28, 2022, www.theglobeandmail.com/investing/personal-finance/article-parents-gave-their-adult-kids-more-than-10-billion-to-buy-houses-in/

TD Wealth