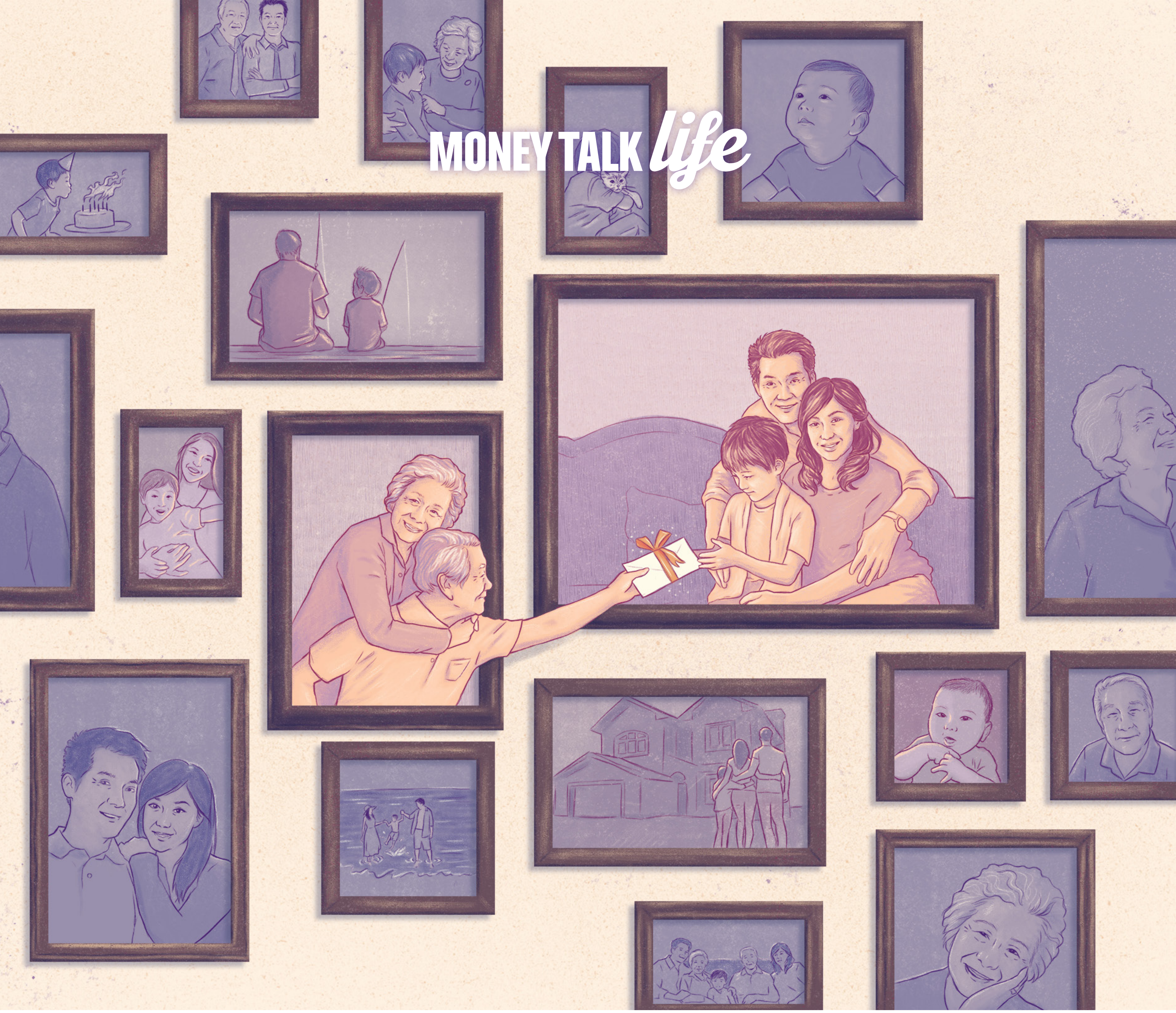

The wealth you'll share

In the years to come, trillions of dollars will move from one generation to the next. Are you confident your family and loved ones will receive the assets you intend for them? The case for a family wealth transfer plan.

Domenic Tagliola, a Tax and Estate Planner at TD Wealth, often reminds clients that one of the largest tax bills they'll ever get is likely one they'll never see. That's because it's delivered after death and it will be the responsibility of their heirs to pay it.

For many of us, that tax bill could be sizable because our registered savings — formerly sheltered from tax — are transferred to our heirs, while the property we own faces tax treatment under deemed disposition rules.

But with careful planning, there are ways to help minimize the tax consequences of your estate transfer. If you begin transferring money and assets now, while you're alive, Tagliola says, a transfer strategy can help to shield your wealth, provide opportunities to see your money used, and even help allow you to control (to a certain extent) how your funds are spent.

The alternative, Tagliola says, is that if, for example, parents tell their adult children to expect a million dollars from their Retirement Income Fund (RIF) after they die, they may bestow only a portion of that amount. Situations like these are not unique. The people who are most commonly passing on wealth right now are largely part of the aging Baby Boomer Generation; it's estimated that trillions of dollars are moving from that generation to the next in what is called the Great Wealth Transfer.[1]

"But what people may not be aware of is this wealth transfer may also trigger one of the largest tax liabilities in history," Tagliola says. "That can mean the single greatest recipient of this movement of wealth may not be our sons or daughters, grandkids, or our favorite charities — it could be the tax collector," he says.

1 *in* 3

Millennial-aged Canadians (born 1980-1996) say they expect to receive an inheritance.[2]

With that in mind, you may consider a pre-emptive wealth transfer plan to help minimize the tax impact and protect your assets. You may even appreciate the added benefit of seeing your family, friends and charities tap your wealth while you're still alive to witness it. And if you think your situation is not the same as the Great Wealth Transfer, with trillions of dollars cascading down, you can think of it as, "I'm just taking care of my family now for the future." If this sounds important to you, here some things to maybe consider.

The case for protecting your family's wealth

Tax is one of a few issues that should be foremost in mind as moms and dads consider their own family-sized wealth transfer. Whether the assets involved are limited to a home and savings for the kids, or include more substantial investments, properties and business interests, there are tools and strategies that can help preserve the value of your assets as they are transferred to your beneficiaries. Other considerations in a transfer strategy might include how much you should pass over, and how much you need to keep for yourself.

Some more direct methods may include a loan, a gift while you're alive or a will when you are deceased. Other methods could be beneficiary designations on registered Retirement Savings Plans (RSPs) and Retirement Income Funds (RIFs), joint-ownership arrangements for property and businesses, family trusts and insurance products. The best tool or method to suit your wishes may not be an obvious one. Speaking with an advisor can help you work through the advantages and disadvantages of various options and help you select one that fits your needs.

Keeping your money out of the hands of the CRA shouldn't be the only thing motivating moms and dads to share their wealth early. Many families will have personal reasons for sharing wealth and should set a goal to make their own family-sized wealth transfer a success both before and after they pass away, says Tagliola.

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DOMENIC TAGLIOLA TAX AND ESTATE PLANNER, TD WEALTH

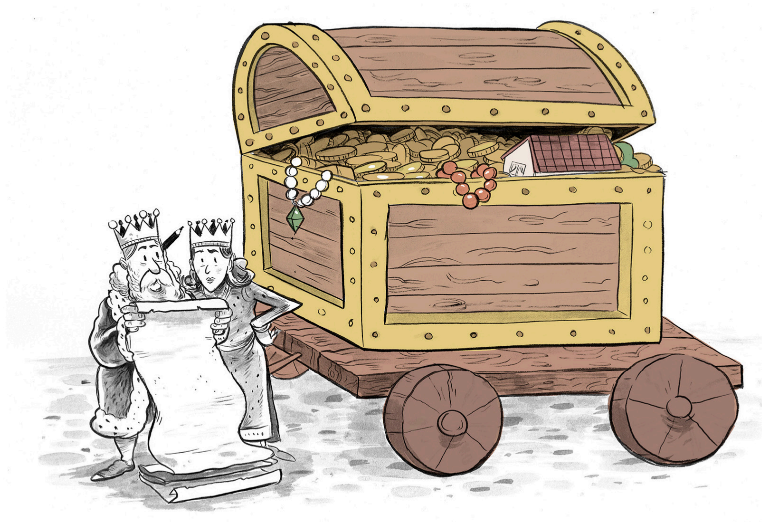
Communicating plans so everyone can benefit

What make a successful wealth transfer strategy? It may mean your clan gets better use of your assets today while you're alive. It could mean you get to see how well your money is used now.

More practically, that may, for example, involve grandparents communicating the plan with their heirs and getting input back. Strong communication can help to ensure the wealth transfer plans are acted upon, that the assets that are passed on are appreciated and that there are no family quarrels now or later.

Poor communication, says Tagliola, could turn your great wealth transfer into the Great Squabble Over Mom's Money.

While parents may often take the lead in planning these issues and should have the final say, it may be ideal for all the family members to participate. Communication is a key component in making an intergenerational wealth transfer plan work, says Tagliola.



"This is where the family should be sitting down and discussing what are the parents' wishes in respect to dividing up their property," he says.

Tagliola says these meetings can also be a catalyst for younger generations to really think about what they want and why. For instance, kids may have loved visiting the cottage or cabin, but they may not love sharing maintenance fees and property taxes if they rarely visit as adults.

Family meetings can also identify occasions when it's appropriate to begin transferring wealth. For example, it may be sensible for a family member — let's say a granddaughter — to receive some money as soon as possible to help pay for grad school, a mortgage down payment or because she just needs money as she starts up her household. The situation seems straightforward, but that can open up a number of other considerations that have to be thought through.

These can include: Should the funds be passed over through a simple cash gift or through a loan that is certified in a lawyer's office with the expectation that the money will be paid back?

A grandmother, for example, may also make a decision whether to disclose a gift to her other grandchildren. If funds are given to one grandchild and not another, the grandmother may consider adjusting her will to account for the earlier funds transfer — that is, giving that grandchild less according to how much was given earlier. Or grandmother may also consider "forgiving" the loan in the will.

46%

Of millennials who have already inherited assets wish they had sought the advice of a professional.[3]

If grandmother does open the discussion up to other grandchildren, how does she weigh competing calls for her money if one grandchild wants to finance a graduate degree and one wants to buy a pool?

Determining what's needed now and in the future

Perhaps the foremost consideration for grandparents — before they even settle on giving money away — is whether they can afford it, says Tagliola. While some people may think they have their financial plans in order and have excess cash to "gift" to their family, they should consider whether their funds will last the rest of their life and whether they will have enough to cover any health care costs over those years.

Again, consulting with an advisor can help estimate what your future needs may be, and how much you can afford to give away. An advisor can then assist you in determining when and how you should do it, whether it's a cash gift, a loan or one of several other methods of transferring wealth.

If you need help developing your goals around any of these issues, an advisor can help you to set them and help develop a plan to ensure your intentions are seen through. That may include consulting with a tax specialist. An advisor can also help you weigh competing priorities for your wealth and help you decide which options are right for your particular family situation. They may also offer to help explain any complexities to the whole family and the rationale for undertaking any financial strategy, says Tagliola.

Aiming to make your own wealth transfer a success can make you happier that you're taking care of the family now and that they will be taken care of — whatever the future holds.

DON SUTTON
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[1]Accenture, *The Greater Wealth Transfer: Capitalizing on the Intergenerational Shift in Wealth*, June 2012, https://www.accenture.com/ca-en/~/media/Accenture/Conversion-Assets/DotCom/Documents/Global/PDF/Industries_5/Accenture-CM-AWAMS-Wealth-Transfer-Final-June2012-Web-Version.pdf, Accessed November 6, 2018

[2]TD Bank Group commissioned Environics Research Group to conduct a custom survey of 6,021 Canadians aged 18 and older. Responses were collected between February 20 and March 1, 2018. This report includes questions asked to 3,028 Canadians, of which 687 are Millennials, who have received or anticipate receiving an inheritance in the future.

[3]Environics Survey, Ibid.

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