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Preparing for Wealth Transfer

By 2026, an estimated $1 trillion in personal wealth will be transferred from one generation to the next in Canada[1], the largest transfer of wealth in our country's history. This transition involves financial complexities for both benefactors and their heirs. Without planning and clarity, wealth transfer can lead to confusion and misunderstandings.

If you are preparing to bequeath wealth to your heirs or anticipate receiving an inheritance, some of the information outlined below might be helpful.

1. **Begin with a plan**

   A recent survey found that almost 73 percent of Canadians over the age of 45 have not started estate planning.2. A third of those either put it off or don't know where to begin. As you already know from building wealth over your lifetime, successful outcomes depend on a thoughtful plan. An estate plan is a road map that can maximize the lasting benefits of this hard work. Knowing how to anticipate the financial road ahead helps you to avoid expensive mistakes and establish benefits for your family for years to come.

2. **Communication**

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Transparent, two-way communication between benefactors and their heirs is also crucial, especially when it involves parents, spouses and children. Clear expectations and open conversations can be invaluable to the transition process. Good communication also helps preserve family harmony and can even strengthen relationships across generations.

3. **Choose a timeline**

Some would rather see their family enjoy an inheritance while they are still alive. Choosing this path may inspire intergenerational financial stewardship in your family, such as learning the basic concepts of saving, spending, investing, and sharing. For parents concerned that their children or grandchildren may not use their inheritance wisely, this could be a helpful option to consider.

4. **Tax considerations**

There are several tax considerations that should be factored into your wealth transfer plan for you and your heirs. For example, cash gifts are tax-free in Canada, which effectively creates less taxable income for all parties. There may also be significant advantages to changing ownership of qualified assets. However, these are complex decisions that should be guided by professional advice.

5. **Choose your guides**

When it comes to proactive estate planning, 48 percent of Canadians are unsure where to turn for advice[2]. The good news is that a knowledgeable financial advisor understands the complexities of planning and wealth transfer. They also have the expertise and neutral perspective to help navigate healthy communication between benefactors and their heirs.

For more information on how to grow, preserve and transition your wealth, **contact our office today** [1]. We are here to help.

Sources:

1. Investor Economics: Household Balance Sheet Report 2019 - https://www.investoreconomics.com/reports/household-balance-sheet-report-2019/ [2]
2. Cision PR Newswire: Edward Jones Study: 77.1 per cent of Canadians surveyed are still financially unprepared for the unexpected - https://www.newswire.ca/news-releases/edward-jones-study-77-1-per-cent-of-canadians-surveyed-are-still-financially-unprepared-for-the-unexpected-882058378.html [3]

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