BMO Wealth Insights

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Wealth Connects the Generations

Engaging the next generation

Preparing heirs for a lifetime of charitable giving

Ensuring a seamless transfer of wealth with an estate plan

BMO Private Wealth

Over the next decade, $1.1 trillion in wealth will change hands during the largest 10-year wealth transfer in Canadian history.[1] We're not only seeing a shift in the ownership of funds, but the process for transferring wealth is also evolving as money moves from one generation to the next. Navigating this can be difficult and will require families to communicate and plan together to prepare heirs for their future inheritance.

There is a tremendous opportunity for individuals or families to think more proactively about legacy and estate planning for future generations. This magazine focuses on issues that impact the successful transfer of wealth from generation to generation.

We will explore the nuances of leaving and receiving an inheritance, and the many factors that affect families in the transfer of wealth. The givers of wealth often want to influence how their gifts will be used and to prepare their heirs to be exceptional wealth stewards. They may also intend to make bequests to charities and institutions that are important to them. The transfer of wealth is subject to tax and estate law and the impact can be alleviated by effective wealth planning strategies. Finally, business owners will need to consider how the sale or transfer of their business can be balanced with the expectations of that business providing a source of retirement income.

Through our services, we can help reduce the complexity, allowing you to focus on what's important to you. We can also provide guidance on the transition of wealth and the building of lasting legacies for the next generation.

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Engaging the next generation

Are they prepared? Children and grandchildren need to get ready for their roles as inheritors.

For many high net worth families, amassing wealth may be the easier part. Passing down the knowledge and tools necessary for a successful wealth transition, that is where things get difficult. Wealth creators can be busy with their businesses and community obligations and neglect this important step or, more commonly, simply don't know where to start.

As an inheritor, this can leave you in an awkward position. You may not know what is expected of you, what role you should play and how you should prepare for your inheritance. It's an all-too-common situation. According to *Preparing Heirs: Five Steps to a Successful Transition of Family Wealth and Values*, by Williams & Preisser, a quarter of heirs feel unprepared for their roles.

Empower yourself with knowledge and skills to help yourself and the wealth creator make the best decisions for themselves and your family's legacy.

An inheritance is a challenge

Do your parents like your taste in music? Do they have the same views on community involvement? Parents and children have different opinions on many things and how you use your inheritance may be one of them. When we work with families, we see four main challenges:

1 **Sense of entitlement**
Your parents may worry that wealth will undermine your ambition or financial responsibility. Wishing to ensure that you will be a good steward of their wealth, they may want to stagger your inheritance according to milestones such as a college graduation or achieving a certain income threshold. You, on the other hand, may feel that an inheritance should come with no strings attached.

2 **Heirs' differing needs**
Parents generally hope to treat their children equally or fairly, according to their differing needs and abilities. For example, you might have a sibling with a chronic illness, or earning a smaller salary because they chose to be an artist or teacher or work for a not-for-profit organization. Your parents may consider providing a larger inheritance to your sibling, but you may not agree with the fairness of this decision.

3 **Grandchildren**
Your parents might struggle with how to divide their estate equitably if you and your siblings have a different number of children. Often grandparents seek to treat all grandchildren equally, but this could mean one sibling's family receives a larger share if they have more children. Again, it is important to understand the philosophy here to avoid strife.

4 **Lump sums or extended distribution**
Parents may worry about leaving lump sum payments if their children haven't achieved a certain level of maturity. They can also be concerned about protecting an inheritance from creditors or ex-spouses. For this reason, parents often consider using trusts to protect your inheritance for your benefit.

The key to tackling these challenges is open communication, giving parents an opportunity to explain their intentions and allowing you to understand them, and giving you the time to learn the skills you need to become a prepared and responsible inheritor.

Storytelling helps others to understand your values, vision and mission for the family wealth

Everyone loves to talk about themselves, especially people who've lived exciting lives and built successful businesses and careers. While your parents may be reluctant to open up about their estate plans, their net worth and what they intend you to inherit, chances are they will relish the chance to tell their story.

Storytelling sessions aren't about dollars and cents – that part comes later. Instead, it's a chance to learn about your family's unique journey so that you can appreciate the values, vision and mission that led to the creation of the family wealth, as well as where you fit in.

Remember that each generation and each person has their own communication style. To glean as much as possible from your parents' storytelling, make sure you're communicating in the way they feel most comfortable. Skip the texts if your parents place a premium on face-to-face communication. They might even prefer to write you a letter or a short memoir detailing their life.

Also, recall that different personality types approach storytelling in different ways. For example, some family members may be very detail-oriented whereas others may be more about the big picture and the punchline. Taking personality preferences into consideration can also help to facilitate open communication.

As you talk, keep these things in mind:

- Be empathetic and respectful;
- Ask how your parents created their wealth;
- Ask about the challenges they encountered and how they overcame them;
- Find out what they consider to be their greatest accomplishment (the answer may surprise you);
- Ask if they have any regrets;
- Listen more than you talk; and
- Consider the similarities and differences to your own values, vision and mission and how to bridge the difference.

The key to engaging in family storytelling is the understanding that the family story contains the values and strategies that were deployed to garner your family's wealth.

The family blueprint

Once you understand the family story, you can move to the next phase. This means starting to document the vision, mission and values for the family as part of an overall blueprint. Your parents may already have started on this themselves; if not, work with your parents to help them more clearly articulate and document their views.

A family blueprint can include a family tree, a mission statement (family goals and objectives), a family entity diagram, the family balance sheet, income tax projections, cash flow projections and an outline of the estate disposition. It can be a guiding document, not only for the values your family holds dear, but also how assets, cash flow and estate disposition serve that purpose. It can also help you to see your roles and responsibilities within this family construct.

For example, if running a successful business is central to your family's values, the family blueprint helps to lay out the roles that family members can play.

> "The family blueprint helps to lay out the roles that family members can play."

The family blueprint can articulate your parents' philanthropic intent, if that is the direction they wish to follow. This can help to instill a sense of generosity and gratitude in younger family members and counter the sense of entitlement your parents may worry about. It allows the younger generation to learn about money management and due diligence in a supportive environment, under the watchful eye of a matriarch or patriarch.

A family blueprint is an evolving document reflecting market conditions, changing family dynamics, life events and philanthropic focus. It will be revised time and again as things change but can serve as a benchmark for the family's goals and objectives, an outline of the strategy for achieving them, and a way to educate family members about the family wealth.

The business at hand – the family meeting

With an understanding of your family's story, you are ready to delve deeper into conversations about wealth transfer. Use the structure of a family meeting to provide the space for that to happen. Family meetings can be an opportunity for information gathering and working together to resolve potential problems.

Some families have well-established, open lines of communication. Their family meetings can be as simple as a hike in the woods or a Sunday brunch – pretty much any time they gather together. Other families prefer a more formal approach. They might prefer to set aside several times throughout the year to discuss family business.

Regardless of how your family conducts its meetings, make sure there's an agenda so nothing falls through the cracks, and assign action items for each member to tackle before the next meeting. If your family is finding it difficult to get started, consider using a neutral third party to facilitate a family meeting.

As your family moves forward with the wealth transfer process, your parents can start assigning roles to different members based on their interests and skillsets. In general, there are four roles within a family's wealth transfer that can be filled by members of the next generation: beneficiary, trustee, steward and shareholder. Oftentimes, family members play one or more of these roles and should understand the different hats they might wear in playing each of these roles.

Final thoughts

In a perfect world, parents would have a well-thought-out plan for wealth transfer, explain their intentions and help their heirs learn their roles and responsibilities. But life doesn't always unfold in an orderly way or provide such a roadmap. Sometimes, inheritors may need to step in to play a more active role so they can empower themselves to be educated, responsible and prepared.

Passing it on?

Expectation versus reality for leaving and receiving an inheritance.

The biggest wealth transfer in history is set to take place. This enormous transfer of wealth from one generation to another has been the subject of much debate over the past decade. But how well have the different generations planned for this event? What impact might tougher economic conditions have on future legacies? And how can we close the gap between expectation and reality?

Over the last decade, many studies have attempted to quantify the magnitude of the wealth that will transfer between generations.

In Canada, it has been estimated that $1.1 trillion in household balance sheet assets will be transferred. Spanning 1.4 million wealth transfer events, this movement of personal assets marks the largest wealth transfer in Canadian history. Approximately $699 billion will be in the form of deposit products, investment funds and direct securities and $360 billion in real estate assets – primarily residential real estate.[2]

> "The lack of candid conversation between generations appears to be a major contributing factor to poor retirement and estate planning."

While the size of the pie is up for debate and continues to be influenced by market conditions and other factors, there is certainly an expectation that an unprecedented shift in wealth from one generation to the next will take place over the next few decades. With so much wealth changing hands, there is the possibility that many individuals who will receive or leave an inheritance may not be properly prepared to manage this inflow or outflow to ensure that a legacy will also be passed down to their children.

Closing the gap between expectation and reality

For people expecting an inheritance there can be many unknowns involved in the transfer of wealth such as timing and the actual monetary value of the inheritance. Some of these uncertainties can be solved through discussion between family members. However, for some individuals, discussions about their death and the transfer of their estate, including writing a Will may be difficult. The lack of candid conversation between generations is often a contributing factor to poor retirement and estate planning. Moreover, when families aren't having transparent dialogue, it can lead to misgivings and financial insecurity.

While discussion may be challenging between generations in the same family, it can be equally difficult to have a conversation with a financial advisor. But not seeking advice can have significant consequences. For individuals who received an inheritance, decisions such as whether to pay down a mortgage or contribute to an RRSP or TFSA can have long-term financial implications. On the other hand, when leaving an inheritance, individuals may not have properly assessed their total wealth – including stocks, bonds, mutual funds, property, businesses and other important assets that would be available for distribution or given adequate consideration to minimizing taxes due upon death.

Factors impacting an inheritance

The size of an inheritance depends on a number of factors:

- life expectancy and retirement age
- unanticipated events and health care expenses
- challenging markets, interest rates and inflation
- taxes and fees on death
- family size

Life expectancy and retirement age

Thanks to healthier lifestyles and medical advances, we are living longer. Statistics Canada reported that Canadian women live to a median age of 84.1 years, and men to 80.0 years.[3] This is almost 10 years longer than the average life expectancy five decades ago.[4] This is good news from a longevity perspective, yet in terms of retirement assets needed, those additional years demand more retirement savings – especially if one considers the extra health care needs that typically go hand-in-hand with aging.

Unanticipated events and health care expenses

Longer lives mean an increased risk of costly medical care or daily living assistance within one's lifetime. While some government funding kicks in for all Canadians, there are limits, and coverage varies across provinces. Canadians can anticipate paying more out of their own pockets to cover medical essentials and long-term care services in the future. Becoming single in retirement may also severely impact your income and expenses. Those who are divorced or widowed could face higher costs for dealing with ill-health or infirmity without a spouse or partner to provide them with caregiving support.

> "Additional years demand a significant amount of more retirement savings – especially if one considers extra health care needs."

Challenging markets, interest rates and inflation

Today, the markets are affecting all generations. Seniors, who typically invest more in fixed-income products such as GICs and bonds, are forced to balance a low rate of return with a higher rate of taxation, as compared to capital gains and Canadian dividend income. As a result, many of these individuals may be forced to use up more of their assets than originally anticipated simply trying to keep up with rising inflation costs, leaving little behind for their successors. The potential result is an inheritance that could shrink from one generation to another.

Taxes and fees on death

Although there are no estate taxes in Canada, a significant proportion of an inheritance could be consumed by probate fees and capital gains taxes due on death. Yet, many people fail to take this into account when planning for the transfer of their estate. Not only can taxes and probate fees erode the value of an estate, they can force the sale of assets. For instance, a family cottage or other investments may have to be sold to pay taxes and probate, executor, trustee and legal fees.

A Case Study on Death and Taxes

How could taxes and fees reduce an inheritance? Let's consider Margaret, a widowed mother of three adult children who lives in Ontario and has significant assets registered in her name only. Her assets include RRSPs worth $250,000 and investments valued at $100,000 (for which she paid $50,000). On her death, the total estate value will be $350,000. However, this is not the amount that will be distributed to her children, because there will be taxes due on her investments. The estate will need to pay approximately $120,000 in taxes on her RRSPs and $12,000 on her other investments (only half of the capital gains are taxable and assuming a top marginal rate of 48%). Assuming she has no other outstanding debts to be settled by her estate, the net value of her estate will be $218,000 – which may be further reduced by probate, executor, trustee and legal fees.

Family size – many ways to split the pie

Boomers, who earned their moniker due to the boom in birth rates after World War II, represent approximately 30% of our population.[5] It stands to reason that any legacy that the boomers' parents leave behind is likely to be split between multiple siblings.

But the demand for a slice of the pie does not end there. Boomers are not the only ones to inherit this wealth. Inheritances may also be split with grandchildren, allocated to trust funds or bequeathed to charitable organizations. Ultimately, this may reduce the size of the inheritance that will be distributed to each beneficiary.

Sometimes, instead of a slice of pie, you get a sandwich. There are costs associated with being part of an interdependent, intergenerational family unit. It is not uncommon today for boomers, also referred to as the sandwich generation, to be simultaneously providing financial assistance to their grown children, aging parents and, in some cases, even their grandchildren. These added responsibilities not only diminish the boomers' inheritances and their existing retirement nest eggs; they may also reduce or eliminate any hopes of an inheritance for subsequent generations.

Will boomers be the last generation to inherit?

Like any inheritor, Boomers will be faced with two potentially competing impulses: the desire to support and provide for their families in the future, and a need to remain self-sufficient through their retirement years.

Despite the challenges, boomers are unlikely to be the last generation to inherit. Nevertheless, the situation is complicated. Boomers who still expect to fund their retirement with an inheritance may find that reality falls short of expectations, and future generations who are counting on receiving an inheritance should be aware of the many risk factors that could reduce the amount of money they will receive.

There are strategies that Canadian families can take to help achieve their inheritance vision and maximize the intergenerational transfer of wealth. Communication with advance planning is key. While proactively initiating a family conversation on the transfer of wealth may seem emotionally daunting to some, the risk of holding onto unrealistic expectations is likely to have far worse consequences.

Final thoughts

More than ever before, Canadians and their children are encouraged to seek professional advice on topics that impact them financially – such as business succession, retirement resources, long-term care options and estate planning strategies. By having open intergenerational conversations about inheritance and with the help of a BMO financial professional, boomers and their families can be empowered to make prudent planning decisions about their legacy plans.

Preparing heirs for a lifetime of charitable giving

Six ways to teach your children the role of giving in wealth stewardship

Beyond the tax deductions, there are many rewards to engaging in charitable giving as a family.

Children of all ages can learn how to use wealth to help improve the lives of others or to support worthy causes. Even the very young can be taught to make charitable donations and volunteer their time. Whether your family has a well-established charitable giving program or you're just starting out, there are meaningful ways to establish a culture of stewardship and philanthropy that involves the entire family. Here is a timeline of suggested strategies to help prepare your children or grandchildren as they grow and mature for a lifetime of charitable giving.

Preschoolers

1 Take the kids with you when you volunteer your time

One of the most precious commodities you and your family can give is your time. From helping an elderly neighbour with yard chores to signing up at a soup kitchen, your children can see firsthand how they can help make a difference in the lives of others. Volunteering also builds self-esteem and confidence in children, while making them more aware of their community and its diversity.

2 Create a legacy account.

Earmark a portion of the household budget for specific charitable causes. This can be as simple as opening a designated bank account or as elaborate as establishing a trust. Consider diverting spending from even one small ongoing expense in your budget for charitable causes. As your children age, this act can demonstrate to them how one relatively small personal sacrifice can add up to a big contribution in the future.

> "Your children will learn more about giving if you take time with them to participate."

Early elementary years

3 Encourage children to donate to charity.

As your children get older, they can begin to make donations themselves. Clothing is a perfect example, given how quickly children grow out of one size into another. As they outgrow their gently used or new clothes, encourage them to decide which items are suitable to donate. Let them put the bag together and bring it to the donation centre with you. You can take the same approach with toys that your children are no longer interested in. In addition, don't shy away from

donating gifts your children have received that you know they won't ever use or wear again. Why not let someone else enjoy and use those items now?

This is also the age when children can join in charitable activities within school, scouting or religious groups. It can be tempting to simply make a monetary donation when these groups reach out, but your children will learn more about giving if you take time with them to participate. For example, if you get a call to donate non-perishables to a food pantry, make a short visit to a local food store with your kids to choose items. Alternatively, allow them to rummage through your pantry for potential donations.

4 Use a save/share/spend jar system

Once your children start earning their own money, either from gifts, an allowance or earnings, show them how to divide their money up for specific needs. This teaches them financial responsibility and sets the foundation for later in life when they will need to manage their money. Here's how it works:

Save jar: This is money set aside for the long term. For children, it can be used to buy an expensive toy, their first cellphone or a new bicycle. As adults, this translates into traditional savings or retirement investing, such as RRSP contributions.

Share jar: This jar is designated for charitable causes. Children can take money from it when the family is making any kind of cash donation or purchasing items to be contributed. It becomes the source for a variety of philanthropic endeavours over the years.

Spend jar: These funds cover day-to-day expenses. For children, this might include a portion of their lunch money or perhaps a small contribution to a special family dinner. For adults, this money supports lifestyle needs.

Eventually, children can learn how to use a budget to designate how much money goes into each jar, and then how the jars relate to actual saving and investing accounts at financial institutions.

Older elementary and middle school kids

5 Allow children to direct a portion of the family's charitable gifts

At this point, your children may be very aware of the charities you support as a family. Consider sharing more details with them about the amounts you typically donate and how you distribute them. This is a great opportunity for you to learn what's important to your children and how they would like to help. In turn, they learn the responsibility of helping others more directly and see the effect of charitable donations. Finally, it encourages them to understand how the funds are used by the recipients, whether you give to an organization or an individual.

Middle school and older

6 Allow kids to propose charities for the family to support

This is the time for your children to learn how to research and choose a worthwhile cause. You can even ask them to submit a formal proposal to you or give a presentation about the charities they like. A good age to start this is between 10 and 12. Encourage them to research organizations online, even if they are already familiar with the charity. If the organization is local, make some time to visit as a family and see firsthand what the group does. Then, discuss the pros and cons of each to help determine which charities to support.

> “Create habits that can help define how your children will steward their time and wealth as they mature.”

Next, get the children involved with making the actual donation. Although it's convenient to simply transfer funds online, if you do, you'll miss out on the most gratifying step in the process – seeing the impact of the donation for the recipient. When appropriate, deliver your donation in person. This moment is often the most inspirational part of the giving process and helps encourage future giving.

Final thoughts

Importantly, these six steps create habits that can help define how your children will steward their time and wealth as they mature. For example, they're likely to continue volunteering throughout their lives if they start young. Likewise, they'll see lifelong benefits to learning how to manage money in a way that lets them achieve their goals while also helping others. Finally, researching charities and presenting options to the family will help your kids gain skills that will be useful later.

Ask your BMO financial professional for information on strategies for charitable giving that may be appropriate for your family.

Ensuring a seamless transfer of wealth with an estate plan

Estate planning is the process required to transfer and preserve your wealth in an effective and seamless manner.

There are various techniques to achieve the objective of a well-organized estate plan. What's surprising is that so few have taken the time to create an estate plan that can help organize their assets, minimize taxes and pass along their estate in the manner they intend. The predictable result is excess tax paid on retirement assets. When the time comes to settle the estate, its value may be substantially diminished. Many people simply have not made estate preservation a priority.

There are several strategies available to transfer assets to the next generation or to charities; a Will, a trust and insurance are effective tools to achieve this objective. A properly drafted Will is the foundation of a strategic estate plan. The Will arranges for assets to be transferred to family members and heirs. Establishing a trust for your children helps to maximize future tax savings and ensure a lasting family legacy. A life insurance policy can provide coverage for anticipated taxes at death.

Your legacy begins with a Will

A Will is an important document that everyone should have. A Will is the only legal document that can ensure that your assets will be distributed to the beneficiaries or heirs of your choice in the way that you wish and in a seamless manner with the least amount of tax payable. In the absence of a Will your assets will be distributed by the government in a process known as probate.

> "A Will is the only legal document that can ensure that your assets will be distributed to the beneficiaries or heirs of your choice."

Your Will comes into effect only after your death. You may rewrite or amend your Will at any time and at minimum it should be reviewed annually. In addition, you should review your Will if your family needs or marital status has changed, your assets have increased or decreased, you have moved to a new province or jurisdiction or new laws have been legislated that will affect your estate plans.

If you don't have a Will, or have one that is invalid, the settling of your estate could lead to disharmony and inconvenience for the surviving family members. Not having a valid Will at the time of death is termed being intestate. It means you have not left instructions for how you want your assets to be distributed at your death, and you have not appointed anyone to be legally in charge of your estate. Accordingly, provincial legislation covers the procedures for intestacy. The court eventually appoints an administrator, and your estate will be distributed in accordance with the formulas of the law in your province. This process can be inflexible and may not reflect either your personal wishes or the needs of your family.

What's in a Will?

Depending on the complexity of your estate, your Will could be simple or complex. Various items may be included in a Will:

- The identification of the person making the Will (the testator)
- A revocation of all former Wills and codicils (a supplementary document to a Will which may change, add or delete wording from the original Will
- Appointment of an executor[6] and possibly a trustee
- Authorizations to pay outstanding debts, including taxes, fees, funeral expenses and other administrative expenses before any gift of property can be made
- Appointment of a guardian for dependent children, in terms of their care and upbringing in the event of parents' death
- Funeral instructions regarding funeral arrangements and the disposition of the body
- The disposition of your property to those individuals or organizations who will receive part of your estate

Disposition of Property

The disposition of property is a major function of your Will. That is, how your estate will be distributed between your heirs and beneficiaries.

Specific property

It is common for people to leave a particular item of property or cash legacy to a particular person. If you want to give personal bequests, that is, specific articles of personal property, you should state so expressly in your Will. You can attach a separate piece of paper, referred to in your Will as a memorandum or letter of wishes. Describe the item in sufficient detail and identify the beneficiary by his or her full name and address.

Gifts of cash

When giving cash legacies, you should periodically review the amount to be given to ensure that it is still sufficient and that it reflects your intentions. You may wish to increase the value of specific cash legacies every few years to account for eroding power of inflation. You should also make sure that there will be sufficient funds in your estate to cover any cash legacies.

A Will is an important and detailed document to administer an estate, and you should seek professional legal advice when preparing a Will.

Why use a trust?

A trust is a special way of holding property which, if structured properly, can provide protection from creditors, can guide the management and use of your wealth during your lifetime and after death, and can serve as a strategy to reduce various taxes. If you wish to transfer your wealth to your children but you have concerns about their ability to manage the wealth, or if you worry that your children may not protect and preserve the wealth beyond their lifetime (perhaps due to a spendthrift lifestyle or marital difficulties), using a trust as a vehicle to transfer your wealth across generations may be the solution.

There are two main types of trust: living ("inter vivos") and testamentary. A living trust is established while you are alive, and comes into effect once the trust agreement is signed and the trust is funded. A testamentary trust is created under the terms of your Will, and it is funded from the proceeds of your estate when you die.

The mechanics of a trust

The term trust symbolizes a relationship which is created when a person who initially owns property (the settlor) transfers possession and legal ownership of the property to someone else (the trustee/s) to hold the property for the benefit of someone else (the beneficiary/ies) according to certain terms. In order for a trust to be validly created, three things must be defined:

1. Express (verbal or written) intention of the settlor to permanently give up possession and control of the property and to create the trust accompanied by delivery to the trustees of the trust property.
2. Clear and precise description of the property to be held in the trust.
3. Clear and precise description of who the beneficiaries are.

These are referred to as the three certainties.

The trust is not a legal entity, but, under the Income Tax Act, it is considered a separate taxpayer for income tax purposes. It is the trustee who represents the trust because he or she has legal rights to the property. Therefore, only the trustee can take actions on behalf of the trust. The trustee must act according to the intentions of the settlor as expressed in the trust document (commonly referred to as the trust declaration, agreement, deed or instrument). The beneficial ownership is conferred to the beneficiaries, and the trustee's actions are rooted in his or her fiduciary duty to act in the best interest of the beneficiaries.

It is the separation between legal and beneficial ownership that gives the trust its flexibility in the control and protection of the trust property, and the management and distribution of the trust property.

The trust declaration

A properly drafted trust declaration is a crucial part of an effective trust structure. The trust declaration reflects the settlor's intentions and outlines the powers granted to the trustee. In particular, it contains instructions to the trustee regarding how income and capital distributions are to be made, when and to whom. The trust declaration determines when the trust will be terminated and who the ultimate beneficiaries will be (perhaps other family members or charities).

In Canada, in addition to the three certainties, a trust must meet certain requirements in order to be valid. This means that the language used in the trust declaration – the terms of the trust – must be considered carefully. For example, a trust cannot exist indefinitely. Properly structured, a trust can be used by a grandparent to provide for the distribution of his or her wealth to grandchildren who are not yet born. The choice of trustee must also be considered carefully.

Among other requirements, the trustee should possess sufficient knowledge regarding financial affairs including investments. They should not be in a position of conflict with any of the beneficiaries' interests. In some circumstances it is appropriate to appoint a professional – or corporate – trustee. This option has several advantages. A corporate trustee is not related to any family members who are beneficiaries, so is truly independent, with no conflict of interest. Unlike a person, a corporate trustee cannot die or become incapacitated, leaving a void in the administration of the trust.

Advantages of using a trust

Properly drafted, trusts can provide various advantages and tax benefits. For example, without a trust your assets may be vulnerable to creditors, may be depleted by spendthrift family members or subject to higher taxes.

Generally, property held in a trust for the benefit of others is not subject to probate tax (or probate fees, depending on your province) on your death since such property does not form part of your estate.

Limited tax benefits of testamentary trusts

Since 2016, testamentary trusts can no longer take advantage of graduated tax rates beyond a period of three years after date of death (in certain situations). However, all trusts continue to have tax- related (in addition to non-tax) benefits. The trust is a taxpayer, and as such, it must file annual income tax returns. Where a beneficiary's rate of tax is lower than that of the testamentary trust, then, depending on particular circumstances, income splitting and therefore tax reduction can be achieved.

The family trust

A reduction in probate tax and income tax across generations can be achieved by using a trust. Your adult children and grandchildren can receive income and capital distributions during your lifetime and pay less income tax than you would, if they are earning at a lower tax bracket. On your death, your estate would not have to pay probate on the property held in a trust and your children and grandchildren would continue to receive income and capital distributions. On the death of an adult child, any property still held in the trust would not be subject to probate, saving probate tax on the estate of your child. Your grandchildren could continue to receive income and capital distributions from the trust after the death of their parent, depending on the specific terms of the trust you created.

Trusts for adults with disabilities

Trusts are often used for the benefit of a disabled beneficiary without jeopardizing the right to government disability benefits. It is also possible to create a trust for a spendthrift beneficiary and structure it to prevent the depletion of trust assets and provide protection from creditors. The asset protection and tax planning opportunities provided by a trust make it an attractive estate planning tool. Trusts are extremely flexible and can be tailored to address specific needs.

Professional advice is essential when creating a trust. The rules concerning trust provisions can be very complicated, and tax laws can change. You should seek expert advice from a legal and tax professional who deals in Wills and estate matters.

Life insurance

Life insurance for wealth transfer can be highly effective during your life or after, depending on your personal situation. Life insurance enjoys unique treatment under the Income Tax Act. Consider using it to reduce or eliminate your taxes, providing more tax-free funds for family members and favourite charities.

Generally, a life insurance policy can cover debt obligations or provide income protection for a surviving spouse or partner. It may also cover estate tax liabilities to minimize the tax burden at the time of death. This is especially important if assets like a cottage or business have appreciated in value and you want to pass on these assets to beneficiaries, and not be forced to liquidate them to pay the tax liability.

Life insurance can also provide liquidity for an estate. For example, if there are two siblings and one of them is more interested in taking over the family business or keeping the family vacation property but they will not be able to afford to buy out the other sibling's half of the inherited property, life insurance may provide the estate with sufficient funds to pay out the other sibling in cash and thus equalize the estate.

Transferring wealth now versus later

You can also transfer wealth to a child or grandchild tax efficiently during your life by buying an insurance policy on the life of the child or grandchild. As the owner of the policy, you pay the premiums and overpay to build up the cash value. The growth of investments within a permanent life insurance are tax sheltered, within certain limits. The insurance policy is transferred on a tax-free rollover basis to the child, as long as the child is the life insured under the policy. If you transfer the policy to the child once he/she is 18 and there is a policy gain, that income is attributed to the child, and they will have access to the cash value.

It is worth noting that attribution rules may apply and you may be liable for taxes payable on the growth if the child withdraws from the policy before the age of 18. Another factor that may affect this wealth transfer strategy is the owner's premature death. You should name the child as the successor owner of the policy, in case you die before transferring ownership to the child when they turn 18. In this case, the policy bypasses the estate and is directly transferred to the child. This prevents a disposition of the policy, which may result in taxation on your final return.

Passing on your wealth to the next generation is a possibility. Whether that happens before or after your death depends on your estate planning goals. Work with an experienced insurance professional who can assess your needs and suggest appropriate strategies to achieve your goals.

Final thoughts

With proper planning you can ensure that your estate is managed according to your objectives and your wealth is transferred as efficiently and effectively as possible. Speak with your BMO financial professional to determine if these wealth transfer strategies are appropriate for you.

As a business owner, what's your succession and transition plan?

Retiring from your own business can be difficult after having invested the better part of your working years to achieve success. And, business owners who want to pass on that successful business may be faced with a bigger dilemma of if and how to transfer the wealth they have accumulated through their business. A number of critical factors need to be considered including how they will exit from their business, the valuation of the business, family considerations and expectations and their own retirement plans.

There are several options to exit the business – from selling it to a third party or current management team to transferring it within the family. The value of the business will also impact how much wealth can be transferred or leveraged for retirement. Finally, has the business owner saved enough to fund their retirement or will they have to depend on the sale of their business or continuing to draw income from the operating business to fund it? These considerations require business owners contemplating a future sale or transition to set their vision, goals and exit plan early which is critical for success.

Turning a business into a retirement asset and sharing the wealth

Two questions must be considered when trying to convert an operating business into liquid assets to fund retirement and pass on wealth to the next generation:

- How much is the business worth?
- What methods are available to convert a business into retirement capital?

Before answering these, business owners must first assess whether it even possible to find a buyer for the business, or to convert the business into retirement funds? If the business operation is heavily reliant on the active involvement of the business owner to generate future cash flows, this may be a barrier to successful succession including the value of the business in the marketplace and the conversion of a business into retirement capital

Exit options for business owners

Private business owners have a number of exit options, some of which will influence the transfer of wealth:

- selling their business to an unrelated person
- transferring or selling the business to a family member
- winding down and closing the business

Business owners considering a transfer or sale within the family must first determine if any family members are interested in assuming ownership responsibilities, and they must help set expectations with those family members on the future management and/or ownership roles. If the family lacks interest, capability and/or drive, the business owner may require additional flexibility when considering exit options. First and foremost, how they exit their business will impact how they transfer wealth.

Challenges to withdrawing from your business

There can be barriers to exiting a business and these make it crucial to formulate a succession and transition plan well in advance of the eventual transition to successfully retire from a business and transfer wealth. Here are some situations that can put your wealth plans at risk:

- **Business in decline** – Putting personal funds back into a business going through a downturn might help bridge the business to better times. Ongoing personal funding of current operations without a long-term revitalization plan could lead to a situation in which such investment might never be recovered.
- **Selling with vendor financing** – Often, a purchaser of a private business does not have the capital, or the ability to borrow sufficient funds, to pay for it outright. This is often the case for a sale to key employees or non-family management team members. To facilitate a sale, business owners often provide financing, expecting repayment over a number of years. If the business does not succeed under new leadership, or the new owners do not honour their financial commitments, you may be left receiving only a portion of the negotiated sales price.
- **Failure of a family business** – Many business owners planning to pass on their business to the next generation put ownership structures in

place to allow for continued cash flow, often in the form of dividends, to help provide for their own retirement funding needs. Unfortunately, some family businesses do not survive into a second generation, and so you may not receive the ongoing retirement income you expect.

- **Inflexible business structures** – Sometimes, the availability of suitable cash flow from the withdrawal from a business is restricted by previous planning, such as estate freezes that pass on growth in the business to other owners.

Any of these situations could have a negative impact on the ability to exit from the business effectively, retire comfortably, and transfer wealth to the next generation. Planning to exit from a business includes two fundamental components that should be addressed well in advance of the eventual exit: the transfer of ownership and the transition of management. When planning to exit from the business, owners and their families often initially focus on the transfer of ownership which includes tax structuring and related business valuations, legal agreements, amongst other procedural items. A common area that is often initially overlooked is the transition of management of the business which is a process that requires considerable attention and time. When preparing for exit, it is key for business owners to work "on" the business versus "in" the business ideally building a management team and organization that can operate successfully in their absence in advance of their eventual exit. This serves to de-risk the business, provide flexibility in exit options, and makes the business more appealing to potential buyers.

Valuating a private business

Assessing a reasonable value for a private business is no easy task. Often, there is a limited amount of information available to benchmark a business. When private business owners require a formal valuation of their business, a professional business valuator can be consulted. Often, the result of a formal business valuation is lower than the business owner expected, as the only true value of a business is the amount that a willing and informed buyer will pay. Private businesses can be valued by a number of methods:

- Income approach – applying an appropriate multiple to the value of future cash flows or income;
- Market approach – based on the prices obtained from the sales of similar companies; and
- Asset-based approach – the value of assets in the business, less any liabilities.

"A common area that is often initially overlooked is the transition of management."

Determining the value of a private business involves a number of factors and is often complex. Simply put, the fair market value of a business is a function of the risk of achieving future cash flows/income. In arriving at the fair market value of a business, a normalized level of sustainable future income is established which requires adjustments to remove expenses of the current business owner not related to operations, non fair market value items, and any anomaly or one-time items. In addition, comparable transactions are scarce given the limited availability of private company transaction disclosures, and it can be challenging to make objective valuations of the physical assets of a business.

How much is enough?

There is no simple answer to the question of how much to save for retirement. Every business owner and their family have their own set of unique circumstances and requirements. The amount of savings required for a comfortable retirement can depend on a wide variety of factors:

- How much do you intend to spend annually in retirement?
- How much can you save each year leading up to retirement?
- How old are you now and when do you expect to retire?
- How will your longevity affect the sustainability of your savings?
- What other sources of income such as CPP, OAS and other pensions will be available to you?
- What about future health care costs and taxes on sources of retirement income?

A personal financial plan can help to put all of these individual factors together to determine the right amount of savings to meet retirement goals.

Many business owners may have to rely on the value of their business to supplement their retirement savings to help fund their future retirement income. For example, withdrawing income at a rate of $50,000 per year can cause a $500,000 pool of retirement savings to be depleted in about 12 years (see chart).

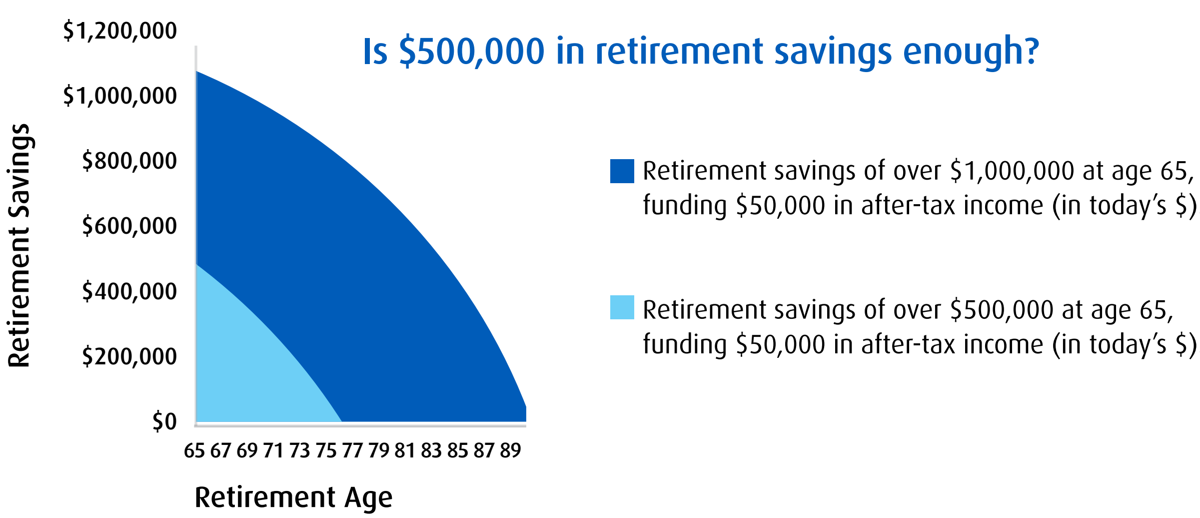
For this level of retirement income to be sustainable during a retirement that lasts from age 65 to 90, more than double the initial amount of savings, or almost $1,100,000, will be needed. This sizable difference highlights the importance of being able to depend on the value of your business for your retirement

Planning for the future

Retirement planning for private business owners can be complex, as it is necessary to have a business succession plan and a personal financial plan focused on retirement that work together well in advance of the eventual transition event. Both of these plans require a personal commitment in order to create an overall retirement plan that can be successfully achieved.

A formal, written business succession plan has many components and its development considers many options. Its purpose is to set an overall process and a time schedule over several years for the business owner's planned withdrawal from the business to ensure a successful transition. Most importantly, it includes both technical concerns, such as legal, accounting, tax and valuation matters

Is $500,000 in retirement savings enough?



Assumptions: The savings are accumulated in a non-registered investment account with a rate of return of 4% from interest income, taxed at an average tax rate of 20%. The withdrawals of $50,000 in after-tax income in retirement are indexed at 2%. The calculations do not take into consideration any additional sources of income such as government benefits, corporate pension, registered assets or corporate accounts.

and softer interpersonal issues that are of the utmost importance for family members, key employees and other business stakeholders, including ensuring business continuity in the owner's absence. The most successful business succession plans take a number of years to implement and cover both the technical and soft interpersonal issues inclusive of the transition and grooming of management of the business which takes several years depending on the nature of the business operations.

Putting effective business succession and transition, and retirement plans in place

If you are intending to sell your business as part of your retirement plan, there are a number of steps that can be taken in advance, including working with business advisors to de-risk the business to increase commercially transferrable goodwill and the related proceeds of sale, and under the guidance of your taxation professional, to minimize the amount of taxes owed. A business owner may be eligible to receive up to $883,384 from the proceeds of the sale of their shares, tax free, as the result of the lifetime capital gains exemption (2020 figures). Note that this amount increases annually as it is indexed to inflation. Additional long-term tax advantages may also be achieved by the use of holding companies, insurance policies, pension plans (including IPPs) put in place prior to the sale.

> “The most successful business succession plans take a number of years to implement.”

An effective retirement plan includes savings outside of the assets of the business that can be used to help fund your retirement. You can diversify your retirement assets by maximizing savings in RRSPs, TFSAs, pooled registered pension plans (PRPPs) and non-registered investments allocated for retirement.

One additional option may be available for business owners that have buildings, land or other valuable assets as part of their business. Even if the operating business cannot be sold and converted into necessary retirement funds, such assets are more liquid and often are quite valuable. However, the tax implications of the sale of any business assets must be carefully considered.

The importance of owning diversified retirement savings personally and outside of your business cannot be emphasized enough, given the risks and challenges in converting business assets into funds that can be used for retirement and wealth transfer to the next generation.

Final thoughts

A business owner's ability to transfer wealth to the next generation will be highly contingent on their plans for exiting the business. The exit from the business will be highly influenced by how they plan to transition the business, the value of the business, and the retirement plans in place to fund retirement. Finally, all of these considerations will impact the transfer of wealth to the next generation.

Working together with BMO financial professionals who understand the needs and challenges of private business owners and their families can help you make the plans necessary both for your business and your personal situation in parallel in order to achieve a financially stronger future.

Family philanthropy

Benefitting the community and the family.

There are two advantages to family philanthropy – the benefits to the community from the generosity of wealthy families and the value that accrues to the families themselves. No one would dispute that our hospitals, galleries and social service programs could not provide the services that the public demands without significant donations from wealthy individuals and families. However, it's not just the organizations that benefit from the generosity of such donors. The donors are also beneficiaries themselves, particularly when they are thoughtful and strategic in their approach to giving.

This article looks at some of the advantages derived by a family when giving is organized through an effective granting program and delivered through a family foundation.

Why the emphasis on an effective granting strategy?

As Aristotle said, "To give away money is an easy matter and in any man's power." He went on to add, "but to decide to whom to give, and how large, and when, and for what purpose and how, is neither in every man's power nor an easy matter."

Clearly Aristotle was distinguishing that there is a difference between philanthropy and charitable giving. In other words, giving money away can be effortless, but it requires thought and effort to make donations that provide relief to a specific situation and make a lasting difference. Unlike charitable giving, which can be characterized by writing cheques to worthy causes, philanthropy entails setting goals that can be achieved through rational and thoughtful decision-making, along with diligent monitoring and assessment. It needs funds, but also requires vision, effort and a long-term perspective.

> "Family philanthropy should be based on their beliefs and values."

Developing an effective granting strategy

To be effective in the long term, and meaningful to family members, family philanthropy should be based on their beliefs and values. These should be carefully identified and agreed upon, and can form the basis of a mission statement for a family foundation that can put them into action. The family's values and philanthropic interests will set a course that will transcend generations and serve as a legacy within both the community and the family itself.

Having set goals for their foundation, a family should ask some questions:

- What are the most pressing issues in the sector that we have chosen to fund?
- Which organizations are best equipped to address these issues?
- Are there funding gaps that our foundation can address?

It is crucial to ask these kinds of questions and seek out answers in order to better understand the causes of an issue and apply the most appropriate solutions. Such research will also help to identify the pressure points of the issue and ways that the foundation could have the greatest impact. An analysis of the issues is essential to determining a strategy whereby the foundation can best meet its goals.

A case study: The Stephens family[7]

To illustrate, let's consider the role that philanthropy has played in the lives of the Stephens family.

After their marriage and graduation from university in the early 1960s, Liz and Bill, both of whom had studied business and commerce, agreed to join Bill's father's small hardware company. Their aim was to apply their newly acquired knowledge to grow the company into a larger enterprise. Within a few years, Liz gave birth to a daughter, then a son and another daughter. With three children to raise, she was less involved in the business than Bill, who was consumed with growing it into an extensive multi-store operation. As teenagers, the children worked summers and weekends in the hardware stores, but none of them chose to make a career in the family business.

When Bill had a fatal heart attack in his 60s, Liz reluctantly accepted an attractive offer to sell the business to a major international company. The family, which had always lived modestly, now found themselves with more money than they could have anticipated. Raised by Depression-era parents, Liz was concerned about the possible impact of this new wealth on her children and, particularly, on her grandchildren.

A few years before his death, Bill and Liz had established a small family foundation. Since Bill felt a need to give back to the community that had enabled him to prosper, the foundation supported a variety of community projects. It had no distinctive interest or focus to its funding.

After Bill's death, Liz decided to use some of the funds from the sale of the business to increase the foundation's endowment. She thought it was time to introduce her children and grandchildren to the foundation, and to give it a clearly defined mandate – one to which they could all relate. She saw the foundation as a means for keeping her now far-flung family more connected by having them work together to achieve common goals. She also thought the foundation would help the grandchildren to become more comfortable with wealth and learn to be good stewards of the wealth that they would inherit.

Liz recognized that she did not have the experience or skills to develop a clearly defined mission statement that everyone could support, nor to create a structure for strategic granting. She would need help bringing the family into this process. Also, she realized that a non-family member who was experienced in such work would be more credible to family members, and by engaging the whole family in the process the outcome would be more easily accepted. She consulted with her existing professional advisors and located a consultant that would not only be able to help the family articulate their collective vision and values, but would also assist them in their grant making.

The consultant took the family through a process that involved several steps:

- First, she interviewed each family member individually about their experiences, values, aspirations and interests related to the charitable sector.
- The consultant also needed to know how the family worked together as a unit. For the foundation to function effectively, the family would need to be able to work together constructively. Therefore, as part of the interviews with each family member, she also posed probing questions about family dynamics. How did they make decisions? Were there any barriers to communication in the family? How strong was the level of trust?
- The family and the consultant then discussed the report arising from the individual interviews. The report summarized the consultant's observations, conclusions and recommendations for developing a mission statement and granting strategy that would represent the core values and interests of family members. Together, they made the necessary adjustments.
- They also developed a governance structure to enable the family to administer the foundation in a professional manner, and thereby avoid unnecessary personal squabbles.
- Another important issue they addressed was how and when to involve the next generation of the family in the work of the foundation. To that end, they added some of the older cousins to the grants review committee.
- The consultant worked with the family over a few granting cycles to help them identify worthwhile projects, to coach them on how to review the projects and to teach them how to monitor and evaluate their grants.

The impact of the foundation on family members

While supporting innovative programs in Bill and Liz's home city, the foundation also created many unexpected benefits for the family.

Creating a sense of identity and legacy
Through the facilitated process, the family identified the focus for their giving: to help disadvantaged youth who had not had the same opportunities as others to develop to their full potential. Although family members had many other interests, all shared a concern for disadvantaged youth, an issue that was particularly important to Bill. He was known for his generosity to young employees who were struggling financially and for his support of various local educational and recreational programs for youth.

The foundation's granting program offered Bill's children a way to honour their father and perpetuate his values. The process of searching for and funding innovative projects designed to help disadvantaged youth kept Bill's memory alive, particularly when they would ask one another: "Would Dad have supported this project?" For the grandchildren who had barely known Bill, listening to their parents' discussions gave them insight into their grandfather's character, as well as a sense of what their family valued and believed. Furthermore, the grandchildren saw these beliefs being put into action.

Developing greater family unity

While Bill and Liz's children shared many characteristics and values while young, their academic interests and career paths diverged greatly: one became an accountant, another a teacher and the youngest became a physician. Two of them also moved away from the home city. With young families, as well as demanding careers, the siblings saw each other less with each passing year. Their gatherings were limited mostly to celebrating holidays and birthdays, as well as spending two weeks together at the family cottage.

As Liz correctly foresaw, the foundation provided a means for her adult children to become acquainted on a non-familial level, and to form new bonds by working on projects that were important and satisfying to them.

Similarly, the grandchildren, who spent most of their time together engaged in sports, began to recognize and identify with their common heritage and the values that defined their family. Their relationships evolved beyond talk of sports.

Gaining financial knowledge and analytical skills

Although the accountant in the family was able to read and understand the financial statements and budgets of charitable organizations, neither of her siblings nor the grandchildren had that ability. Nor did they have any experience in reviewing proposals.

To make effective grants, they needed to ask, and be able to answer, such questions as: Is this project likely to succeed? What is needed to ensure its success? How much should the foundation grant and over what period of time?

Also, there was the matter of the foundation's investments. While the foundation engaged professionals to manage the endowment, some family members had to have sufficient familiarity with investments to enable them to evaluate the performance of their fund managers.

For the third generation of the family, the grandchildren who would one day inherit considerable wealth and whose values and lifestyles were still being formed, the foundation provided the ideal training ground. They had an opportunity to become financially literate: to learn about the stock and bond markets, the importance of asset mix, the various indices against which the foundation's investment returns were measured, and so on. In discussing the capabilities of various charitable organizations, they had to become familiar with the concepts of assets and liabilities on a financial statement, and the kinds of expenditures to look for in an operating budget. To prepare these family members for their responsibilities, the foundation arranged informal seminars. These were given by the investment counsellor managing the foundation's endowment and the accountant in the family. Some of the older grandchildren also began reading the business section of newspapers to further their education. The grandchildren began to realize if they were to make informed decisions about their future personal wealth, they would need more than a passing familiarity with these concepts.

Learning about governance and decision-making

The foundation's board of directors consisted of Liz, her children and their spouses. However, all family members above the age of 18 were members of the foundation. Although the grandchildren were not yet in a position to make decisions on behalf of the foundation, they had opportunities to contribute through their participation on the grants committee and attendance at the annual general meeting. They learned about the various steps involved in reaching consensus on a grant decision and the process for making well-informed decisions. They began to understand why the foundation applied certain conditions to the grants made and how the charitable organizations would be held accountable for projects funded by the foundation. The experience helped them appreciate the importance of accountability in commitments that they made to others and generally in their relationships.

> “We make a living by what we get, we make a life by what we give.”

Ensuring greater success in passing on family wealth

For families with significant wealth, the passing of that wealth from one generation to the next is a matter of great concern. There are countless stories of disastrous wealth transitions – situations in which families lost most of their money and members became estranged from one another. In fact, it is commonly accepted that about 70% of wealth transfers will be unsuccessful.[8] In other words, the wealth is removed, involuntarily, from the control of the beneficiaries and/or family disharmony results.

One of the many studies[8] on wealth succession has identified the factors that lead to successful transitions:

- total family involvement in estate planning and preparation;
- a process that integrates family learning and development;
- articulated shared values; and
- effective communication, trust, accountability and consensus building.

The study also noted that in the 30% of families with successful wealth succession, family philanthropy was a common element. This is not just a happy coincidence – three of the attributes listed for successful wealth transitions are also associated with effective philanthropy.[8]

By developing an effective granting program based on agreed familial values and learning about financial issues and governance, the Stephens have increased their chances of a successful wealth transitions. They have also built trust and accountability within their family.

Benefitting the family and the community

There are many reasons why families create foundations. Some do it out of religious conviction. Some want to celebrate their good fortune and give back to the community. Others believe that they have more than enough money for their needs and should share with others less fortunate. Some have even stated that their main motivator was to create a means for passing on family values and developing a legacy within the family, as well as in the community.

Regardless of the initial motivation for creating the foundation, families who make the effort to create a meaningful and strategic approach to granting find that they get as much – some say even more – out of the act of giving than the organizations that they support.

They give life to the words of Winston Churchill; “We make a living by what we get, we make a life by what we give.”

Closing thoughts

BMO Private Wealth provides services that can help you develop a customized wealth management plan tailored to your lifestyle, business and goals. Our strategies evolve as circumstances change to help deliver on your current and future wealth management needs. Our financial professionals work to understand your needs and to recommend a holistic wealth solution that encompasses your financial situation, your personal and family objectives and your stage in life.

Who do we help?

We serve a broad spectrum of clients, including ultra–high-net-worth and institutional clients, from individuals and families to business owners and entrepreneurs, professionals and executives, and corporations and institutions. We operate in Canada, the United States and in select global markets, including Asia and Europe.

For an individual or family, we can help remove the complexities that accompany wealth. We can also provide guidance on transitioning wealth to your heirs while providing a lasting legacy to future generations.

We aim to simplify the process of transferring wealth and help build a comprehensive wealth management strategy.

Our wealth management approach is based on helping our clients plan, grow, protect and transition their wealth. We work with you to help develop solutions that match your needs.

Plan

A sound wealth plan is a vital component in achieving your current wealth goals and securing the financial future for you and your family.

Grow

Although no one can fully predict the future, our financial professionals will work with you to help you grow your wealth; you can also use our self-directed services to develop your own solutions.

Protect

The careful balance of risk and reward is one of the primary benefits of professional wealth management, helping to protect your portfolio from market volatility.

Transition

We will work with you and your family to put strategies in place to prepare for life changes and help to make unexpected transitions as smooth as possible.

BMO Private Wealth publications

BMO Private Wealth publishes a variety of financial, retirement, tax and estate articles that provide insights and strategies around wealth planning. Speak with your BMO financial professional about other BMO Private Wealth publications that can help you make sound decisions for a better financial future.

BMO Private Wealth

[1] Investor Economics Household Balance Sheet Report 2019, June 27, 2019.
[2] Investor Economics Household Balance Sheet Report 2019, Retirement and Inheritances, Section 3, page 122.
[3] Table 13-10-0389-01: Life expectancy, at birth and at age 65, by sex, three-year average, Canada, provinces, territories, health regions and peer groups. Statistics Canada website, accessed March 2020.
[4] Statistics Canada. Life expectancy, 1920–1922 to 2009–2011.
[5] Generations in Canada, Table 1. Statistics Canada website, 2011.
[6] An executor is a person, or a corporation appointed to administer an estate and ensure instructions in the Will are followed.
[7] Based on an actual client case; however, the names have been changed to protect the family's identity.
[8] Preparing Heirs, Roy Williams and Vic Preisser, The Williams Group, 2011.

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