TD Wealth

Building wealth that transcends generations.

RiverKeeper Wealth Management

The story behind our name

At **RiverKeeper** Wealth Management, we think of wealth as a river that is flowing, deepening and widening throughout one's lifetime. You will contribute to the river to help it grow and draw from the river to fulfill your financial goals and aspirations. Your vision for your river may transcend your own life and flow downstream to deepen and widen the rivers of your loved ones. By working with you and tending to your wealth, we are your RiverKeepers.

Gillian Curik & Hank Wissenz
Founders of RiverKeeper Wealth Management

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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.

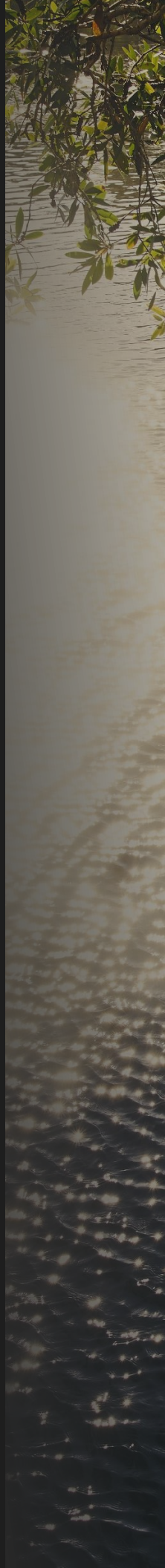
The alternative, Tagliola says, is that if, for example, parents tell their adult children to expect a million dollars from their Retirement Income Fund (RIF) after they die, they may bestow only a portion of that amount. Situations like these are not unique. The people who are most commonly passing 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]

1 in 3

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

"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.

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 Canadian Revenue Agency (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.

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.

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?

46%

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

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 | MONEY TALK *life*

Five conversations to have with your kids about your estate

When it comes to estate planning, not opening up about our wishes and how property should be divided may be detrimental to family harmony and the value of your estate. To help ensure your wealth lives on for future generations, we've provided a few talking points to get you chatting about the important stuff.

You've heard that old saying: you can't take it with you. So you may want to consider what your assets can offer to future generations. You might not know for sure, for example, if your kids want to run the family company, inherit the family cottage, or have space for the extensive hockey card collection, so the best way to find out is to ask. No one wants to talk about the...gulp...inevitable, but some conversations need to be had, maybe for the sake of maintaining harmony between siblings, to help keep inheritances out of the hands of the taxman and creditors, and to help ensure you live out your senior years in the way you wish. A 2018 survey by TD shows that four in 10 Canadian millennials expect to receive an inheritance or have already received one. Of these, 60 per cent anticipate they will receive cash, while just over half see themselves inheriting a property or making money from the sale of one.[4] Domenic Tagliola, a tax and estate planner with TD Wealth, suggests scheduling the following conversations — sooner rather than later — even if the thought causes you to wriggle in your chair.

1 WHO WANTS WHAT?

Sample conversation starter:
"Your father and I have been thinking about the family cottage/business/hockey card collection, and we wanted to know your thoughts on what should happen with them down the road?"

Dividing and allocating stuff in a will seems easy. Just leave everything to everyone, and let them sort out who gets what after you pass. Or just divide everything by the number of offspring, and you have an equitable split. This may not be such a good plan. While many assets don't lend themselves to neat divisions, like a cottage or business, having your heirs flip a coin for them after you die may create stress and animosity. "A good place to start is by estimating the value of what you want to hand down," says Tagliola. "Ask family members how they would like to see things divided. For example, who feels strongly about owning the cottage? Then try to divide your assets in a way that distributes the value of your estate equally."

If there is one big asset in the family, such as a property, it might be hard to make a division equitable. Life insurance, for example, may help pass down cash to an heir who may not want the cottage. Having a discussion around how family members see the division of the family fortune can help you to create a will and ensure harmony among heirs once you are gone.

2 HOW WILL THE TAXES GET PAID?

Sample conversation starter:
"You know, once I'm gone, there are going to have to be taxes paid on this cottage/ business/hockey card collection. Let's talk about how we can try to minimize the hit, and make sure they get paid..."

Yes, you still pay taxes when you die. Seems unfair, but it's a fact. While Canada is generally a country with no "estate tax," many people don't realize that estates are still taxed on "deemed disposition." That means your assets are deemed to be sold to your heirs at the time of death, and tax must be paid on any capital gains at that time. In the case of a family cottage or business that was built from the ground up, or purchased for a decent price decades ago, those gains can be substantial. In fact, a well-located cottage that was bought for a few thousand dollars 40 years ago might have seen an appreciation of hundreds of thousands of dollars. "A tax bill at death that hasn't been planned for may cause heirs to say 'forget this,' and call their favourite real estate agent," says Tagliola.

Having a discussion around taxes can help with the planning process, especially if there are complicating factors like heirs that live abroad (different countries have different rules around inheritances).

3 WHO WILL CARE FOR FAMILY WHEN YOU AREN'T AROUND?

Sample conversation starter:
"Just in case one of us should be unable to take care of little Johnny/Grandma, we should probably talk about how they will get the care they need..."

"Guardianship of minor children is important," says Tagliola. "If you don't name a guardian in a will, the court will dictate a guardian for your child. You should make your wishes known." When writing a will, decisions are often made about caring for minor children, but those aren't the only people you may need to make plans for. You may also have an adult child with a disability who needs to be cared for physically and financially, or you may have elderly parents who depend on your financial support. Because those needs might be a big financial burden, the equal division of your assets might be difficult. If you need to finance long-term care for a child with a disability, there might be little left in the pot to distribute to others. Having a conversation about this can manage expectations, but also find a way to be fair to all your heirs.

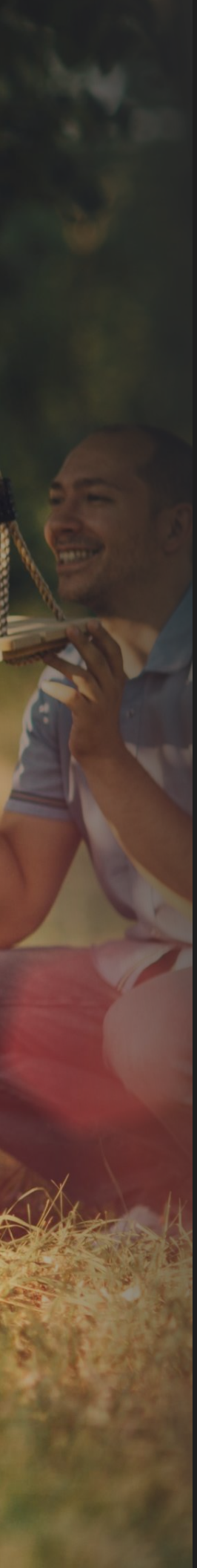
4 WHO WILL MANAGE MY LIFE WHEN I CAN'T DO IT ANYMORE?

Sample conversation starter:
"There may come a time when I can't take care of things around here, or make decisions for myself. We should talk about who will step up to the plate..."

The fact is, as we age we face a decline in our physical and mental faculties. In some cases, we can no longer take care of ourselves or our property, and a trusted loved-one might step in for us. In order for someone to access your financial accounts, make health decisions if you are unable to make them for yourself, and care for your property, you need to designate a power of attorney.

A power of attorney is a legal document that authorizes someone to act on your behalf. There are powers of attorney for health care (involving choices for diet and end-of-life decisions) and property (for accessing accounts and paying bills), so you may need more than one. "You may want to consider appointing a trusted family member or friend who cares about your well-being and your wishes," says Tagliola. "You can choose to appoint one individual or a combination of individuals as your property and personal care attorneys."

"Another option to consider for your power of attorney for property is to use a trust company," says Tagliola. "This may be a good option if there is no one you feel you can leave this important task to."



5 HOW WILL WE MAKE SURE ANY INHERITANCE STAYS IN THE FAMILY?

Sample conversation starter:
"I am hoping that the money I pass down can be used for you to obtain your graduate degree/ start a business/invest. Let's chat about how we can make that happen, and make sure the money stays in your hands..."

Just as no one wants to talk about death, no one wants to predict a possible marriage breakdown involving your kids. But not only is divorce common, many people don't see it coming: The Vanier Institute of the Family estimates that 41 per cent of marriages in Canada will end by the 30th wedding anniversary.[5]

If you are planning to pass down wealth, understand that an inheritance can become part of any divorce claim, unless you have taken the proper steps to protect it from creditors. "Creditors don't need to be a mean ex-spouse," says Tagliola, "it can also be a business partner or anyone who claims to be owed money." You may also wish to protect any inheritance from flowing to someone else, like a spouse, if your heir dies.

Under Ontario law, a will can specify that the inheritance, together with the income and growth from it, will not be a part of the equalization in the case of divorce. However, it really depends on what happens to the gift. Rules can become murky if the inheritance is used to pay off a matrimonial home, or is spent over the years. For that reason it's often best to keep that money separate from other accounts and investments. There are many ways to protect the inheritance, so speaking with an estate law professional can help keep the money in the family.

Ultimately, you may find it easier to have these conversations if you schedule them in advance and set the subject, or maybe you want to play them down and just casually bring them up. Either way works, says Tagliola, as long as you start talking. "Stories or anecdotes can be great ice-breakers," he says. "Use people you know, or things you've read as a jumping-off point."

Tagliola also states that you can also consider introducing your children to the professionals who are working on your estate plan, as they can help to begin the discussion in a professional and unemotional way. Decide if you want to talk to your family as a group, or each person individually, and decide if this is one big talk, or a series of discussions. "It won't be easy. It never is," says Tagliola, "but it can be more difficult for everyone if you don't sit down and talk."

How we can help

RiverKeeper Wealth Management brings over 100 years of combined experience in building wealth for families and individuals. Our goal? To help you generate enough income to support you through retirement and optimize the transfer of your wealth to the people you love and the causes you believe in.

1 Uncover your number

Your number is the amount of money you need to retire comfortably and remain comfortably retired. Everyone should know their number but few actually do. With an intricate understanding of your needs and objectives, we can help you uncover this priceless piece of information. This number is so critical to your success in retirement - that's why we will sit down with you to determine it free of charge.

2 Attaining your number

After quantifying your unique financial goals and understanding your specific circumstances, we craft a comprehensive plan to get you from where you are today to where you need to be. We have a proven track record in creating long-term portfolios and wealth plans that help enable our clients to *attain* their number – so they can *maintain* their desired lifestyle in retirement.

3 Behavioural coaching

For a plan to succeed, it must be impeccably implemented and consistently adhered to. The greatest value we provide our clients is the ongoing guidance and coaching we give them. We help them *work their plan* through all cycles in the economy and the fads and fears of the markets. Our professional and timely service keeps you on the right path to enjoy the retirement you planned for.

Our services

- Investment management
- Will & estate planning
- Private banking solutions
- Wealth planning
- Power of attorney services
- Customized credit
- Tax minimization strategies
- Executor services
- Cash and deposit management
- Business succession planning
- Trustee services
- Philanthropic giving & planning
- Strategies for intergenerational wealth transfer

Services are provided in collaboration with additional TD specialists.

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