Leaving a Legacy

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Recently retired Ross and Penny have an estate planning challenge. They've accumulated a comfortable net worth, with a good portion of it in liquid investments. They plan to leave everything to their three adult children, but they also want to help them financially right now. The problem is that all of their children have a different relationship with money than Ross and Penny. In a nutshell, the parents are savers and the children spenders. If they give large sums of money, Ross and Penny would want their children to use the cash to improve their financial lives. Would they do that? Or would they spend it?

If they decide *against* giving them money today, Ross and Penny won't have the potential pleasure of seeing their children's lives enriched financially. The other downside is that all three children may face a sizable tax burden when they ultimately inherit their parents' estate.

Fortunately, there are excellent solutions for the couple. From working with a financial advisor, they understand that their assets can be divided by a **named beneficiary designation**, **joint ownership**, or via the **Provincial Intestacy Act upon their deaths**. They know that by simply having a valid will in place, they avoid the third option, which would be the most complicated and costly for their children, so planning for a combination of named beneficiary designation and joint ownership would be ideal.

This still doesn't address their question of sharing a portion of their wealth with their children right now. What if they give them money and they squander it? As savers who have worked hard to build their wealth, the couple knows that this would break their hearts and potentially hurt their relationship with their children. Guided once again by their skilled financial advisor, they arrive at a plan that ticks all the boxes while still ensuring that Ross and Penny have access to the funds that they may need for their future.

First, they will set up investment fund accounts jointly with each of their children, choosing tax-efficient funds that generate regular monthly payments. These payments will be deposited directly into each child's bank account, with the tax liability shared equally between the parents and each child. Upon their death, the joint ownership will ensure that funds are passed directly to their children.

This approach offers a more profound benefit, nurturing financial stewardship in their children and even their grandchildren. Ross explains, “By setting up a fund that generates a regular monthly payment, our kids will better understand how investing wisely builds future wealth. If they spend all the capital, they'll be throwing away all their future payments.”

This estate plan offers the couple the best of both worlds, allowing them to leave a legacy and protect what they've worked so hard to build.

**Fictional characters for illustrative purposes only.*

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