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Passing it on to Your Heirs

By admin

Ralph and Mary have accumulated a nice estate, a good portion of it in cash. They want to leave it all to their children when they die, but they also want to do something for them today. Being part of the Savings Generation, they are **reluctant to give large sums to their kids today,** as they are part of the Spending Generation. Ralph and Mary also want to treat their children as fairly as possible.

When someone dies, their estate falls into three basic categories:

Part 1 - Proceeds that can be passed on by way of a named beneficiary designation.

Part 2 - Proceeds that can be passed on by way of joint ownership.

Part 3 - Proceeds that can be passed on by way of a will or a Provincial Intestacy Act.

Ralph and Mary want to make sure that as little as possible falls into Part 3. They are wondering how they can get more of their estate into Parts 1 and 2.

As already mentioned, they want to help their children financially now, but are reluctant to give them large sums of money. Being savers, they also like the comfort of access to their money if they need it in the future. How can they do both?

Ralph and Mary can set up investment fund accounts jointly with each of their children. They can choose tax efficient funds that generate regular monthly payments, known as systematic withdrawals. These monthly payments can be deposited directly into their children's bank accounts. Any tax liability generated by distributions during the year should be shared equally between the parents and their kids.

This effectively moves 50% of the annual investment income out of Part 3 and into Part 2 of their estate. On death, investment funds have the potential to pass directly to their children because of joint ownership and survivorship rights. Since this can be a complex estate planning strategy it is best to consult with a qualified financial advisor before implementation of joint investment accounts with children. Ralph and Mary still have access to the funds if by some chance they need them in the future.

Ralph and Mary feel that they can use this planning method to teach their children a valuable lesson, too. By setting up what is, in effect, a cash cow that generates a regular monthly "milk" payment, their children would be more likely to keep the funds invested. If they slaughter the cow, they will lose the milk forever.

They like the idea of using this plan with their grandchildren,too. Depending on which news report you may have heard, it is estimated that as much as **a trillion dollars of personal wealth** (that's a one followed by twelve zeros) is expected to change hands in Canada over the next twenty-five or thirty years. Some advance planning can make sure that as much of this wealth as possible stays in our heirs hands.

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