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## **Inheritance Doesn't Have to Wait**

By admin

The Baby Boomers are making history as the largest retirement migration ever seen. However, it's their parents who hold the most massive accumulation of wealth which is now being transferred to future generations. Estimated to be well in excess of a trillion dollars, the traditional rules of inheritance are changing.

More than half of Baby Boomers are expecting to share in this great wealth transfer, either through inheritance or while their parents are still alive. They, in turn, will need to consider whether they will hold on to it and pass it at their death, or give it to their kids while they are alive.

It is critical to determine, first, that you have more than enough assets to meet your lifestyle needs in retirement before passing funds on to the next generation. This should include a sufficient amount to cushion against market volatility, emergencies, long term care, and your own longevity. Assuming this is all in place, you could consider the advantages of gifting your wealth to your kids and grand kids during your lifetime. Don't overlook your favorite charities.

Although there is no estate or inheritance tax in Canada, your estate may be faced with a capital gains tax upon your death. You may have some excess tax-paid cash on hand that you can give to children or grandchildren now without tax consequences as long as it is a gift and has no strings attached to it.

If you invest your cash, you might be subject to taxes on investment income at the highest marginal rate. If, however, your children invested the cash, the income would be taxed at their, presumably, lower tax rates. That would leave more to be reinvested for future growth. Consider gifting RRSP contributions for your children as long as they have the contribution room.

More grandparents are taking advantage of the Registered Education Savings Plan (RESP) and contribute up to \$2,500 each year.<sup>1</sup> This may qualify for a federal grant of \$500 and sometimes provincial grants.

Life insurance has always been an effective method of wealth transfer. Instead of giving cash, you could fully fund a life insurance policy that would eventually provide a multiple of the cash, tax free, to your heirs.

Before embarking upon any wealth transfer, it would be extremely important to communicate your plan to your children and any affected family members. They need to know why you are doing it and what your vision is as it relates to family wealth. Your estate advisors can be enlisted to create and help communicate your plan to your family.

<sup>1</sup>Canada Government - Education Savings - RESP

Questions about retirement strategies?

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