

The great intergenerational wealth transfer



BY DAVID LEMIEUX

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Canada is poised to undergo one of the most significant wealth transfers in its history over the coming decades. In fact, it's estimated that within the next 20 years, baby boomers will pass down more than \$1 trillion to their children and grandchildren. While this massive intergenerational wealth transfer may pave the way to financial security for the beneficiaries, it's driving up demand for financial and estate planning.

Business owners are also looking to pass on their assets to the next generation. According to the Canadian Federation of Independent Business, nearly 75% of small and medium-sized enterprise (SME) owners plan to sell or transfer their businesses to their heirs within the next 10 years.



Women stand to inherit more over the next few decades

One of the interesting aspects of the upcoming wealth transfer is that, in many cases, women will be the main beneficiaries. Since women tend to live longer than men,¹ many will inherit assets from their parents and from their spouse.

This wealth comes on top of their personal income, which is significantly higher than it was 20 years ago.¹ Together, these changes are reshaping the balance of economic power in a big way.

Expert advice is essential for effective estate planning

Receiving, managing or passing on an inheritance requires careful planning—even when the process begins before death. Wealth managers can help you and your family consider all the angles of your intergenerational wealth transfer, while acting as neutral mediators in your discussions.



Just 48% of Canadians have a will and **less than 30%** have a comprehensive estate plan, according to the National Institute on Ageing.²

Since estate planning requires specialized knowledge of legal and tax matters, wealth managers work closely with the financial planners, notaries and tax specialists within their networks. Together, these experts help families build clear, well-structured strategies that aim for tax efficiency, asset growth and protection, and effective resource management for lifetime giving initiatives.

Proper planning can also reduce the various costs associated with wealth transfers. These may include legal and accounting fees, as well as income taxes—particularly capital gains taxes that arise from the disposition of assets.

Different generations have very different financial needs. Your wealth manager is committed to providing you with personalized support that reflects your needs, values and aspirations. They won't just preserve your family's wealth, they'll help you grow your assets so that you can leave behind a legacy of support for your loved ones and the causes that matter to you.

Please do not hesitate to contact them to discuss your specific needs. They'll be happy to guide you.

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Giving to charity or a foundation is often something people do spontaneously, when a cause strikes a chord with them. But did you know that including planned giving in your financial plan can help you maximize the impact of your donation? Learn how to set up effective strategies that reflect your values.

INVESTMENT

Beyond the balance sheet: Meaningful wealth transfer

Leaving a legacy involves so much more than providing a financial inheritance. It's also a matter of passing on values, history and responsibilities. Learn more about these important aspects of planning your wealth transfer.

BUSINESS OWNERS

Family investment corporations

This strategy can help ensure a smooth transition from one generation to the next, allowing you to pass on your business's wealth and train your beneficiaries to manage it well. Learn more about the pros and cons of this type of arrangement.

1. Institut de la statistique du Québec, 2024

2. Where There's a Will There's a Way: Canadian Perspectives on Estate Planning – National Institute on Ageing



Are you a business owner and interested in estate planning? You might like this upcoming presentation:

Patrimoine et entreprise : transmettre ce que l'on a bâti (in French only).
On October 22, join us for information on family business transfers.

Contact your wealth manager to sign up

Leaving a real legacy through charitable giving



BY ANGELA IERMIERI, BBA, F.PL.
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Is there an important cause you'd like to support over the long term? More than half of adult Quebecers give to charity on an annual basis, with the average donation doubling over the past 20 years.³ Philanthropy isn't just about making donations—it's about taking action to uphold what matters to you and drive social change. Yet, the strategic planning of these donations remains underutilized.

By incorporating philanthropy into your comprehensive financial strategy, you can enhance its effectiveness, reduce tax burdens and ensure a lasting legacy.



When should you start thinking about it?

Most people prepare or update their financial plan after major life events — like retiring, selling a business, receiving an inheritance, writing a will or losing a loved one. These moments are also a good time to ask yourself whether there's a cause you want to support over the long term. If you do, your wealth manager can recommend strategies to maximize the impact of your donation.

What options are available?

There are three main ways to give, each offering different levels of simplicity, control and flexibility:

1 Giving directly to a charity

This method is quick, straightforward and makes an immediate impact. But it gives you limited control over how the funds are used.

2 Setting up a private foundation

This option requires you to be actively involved, but it also allows you to control how donations are managed and distributed. It's just important to be aware that a significant amount of time and resources are needed to set up and maintain private foundations.

3 Creating a philanthropic fund

This easy-to-set-up alternative is flexible and gives you control over your donations. Because philanthropic funds are adaptable, you have the freedom to change which organizations you support if your priorities shift over time.

Why include philanthropy in your financial planning?

Engaging in philanthropy is easier and more attainable than commonly believed. The first step is to talk to your wealth manager about your options and personal preferences. They'll guide you through the process and help you determine what makes the most sense for you. Should you make a donation during your lifetime or upon your death? Should you gift cash or assets (such as securities, registered accounts or life insurance)? Leaving a charitable legacy doesn't always involve a traditional bequest made through a will. There are many possibilities. Your wealth manager can help you integrate your philanthropy into your financial plan and make sure it's as tax-efficient as possible for you and your estate. And most importantly, you'll have the comfort of knowing that your donation reflects your values and support for the causes that matter to you.

"PHILANTHROPY IS ABOUT TAKING ACTION TO UPHOLD WHAT MATTERS TO YOU AND DRIVE SOCIAL CHANGE."

3. Institut de la statistique du Québec, 2024

Beyond the Balance Sheet: Meaningful wealth transfer



BY MICHEL DOUCET

Vice-President, Investment Strategist and Portfolio Manager

Transferring wealth means planting the seeds for tomorrow without compromising your ability to thrive today.

Plan a legacy of true wealth

Passing on wealth is also passing on knowledge. It's about building a bridge between the past and the future by combining your financial legacy with your deeply held values. First, you need to talk to your heirs about the family's assets: what they include, the values behind them, and the risks and opportunities they present. Next, in addition to encouraging your loved ones to start making plans for their inheritance, you need to prepare them to protect it, make it grow and use it with discernment and responsibility. Sometimes this means involving them gradually. For example, you might want to start by entrusting your heirs with managing one investment at a time or seeking their input on philanthropic decisions. With the right planning, you'll leave behind more than money. You'll empower your heirs to discover the true meaning of wealth: autonomy and peace of mind to shape their own future.



Mind the gap to avoid misunderstandings

Generational differences in values are nothing new—but today, they're taking on a new dimension. Younger generations are often more sensitive to environmental, social and ethical issues. Some are interested in responsible investing, some value freedom over material possessions, and some even refuse to accept assets they view as incompatible with their principles. We sometimes see cases where heirs are reluctant to take over a family business or cumbersome real estate portfolio. More than just a generational gap, these different outlooks reflect a rapid shift in priorities and economic models. Taking the time to understand these evolving perspectives can help prevent misunderstandings and ensure a smoother transfer of your estate.

Strike the right balance

Transferring part of your wealth during your lifetime can be a strategic way to reduce taxes and provide your loved ones with early financial support. But the key is to make sure you don't jeopardize your own financial security. Many retirees struggle to estimate how much they'll need, given longer lifespans, rising healthcare costs, and the risk of losing their independence. How much income will you require to maintain your current lifestyle and cover future expenses? Unexpected events, especially health issues, can drive up your costs. That's what makes it hard to find the right balance between giving generously and preserving your own financial security. Each person has their own unique combination of tax, family and emotional considerations. Your wealth manager can help you ask the right questions and develop a solid plan that reflects your needs.



Creating a wealth transfer plan involves so much more than just dividing your assets. It's a highly personal process requiring input from financial, legal and tax specialists who have your best interests at heart—today and for the long term.

Family investment corporations



BY CAROLINE MARION

Financial Planner, Notary and Tax Specialist

Since the early 2000s, many owners of small business corporations have set up family trusts to retain control over operations and shareholding, while leveraging the opportunity to multiply among family members the lifetime capital gains exemption on the sale of qualifying small business shares.

In 2006, the lifetime exemption was \$500,000 per person, but today it's \$1,250,000. To qualify for the lifetime capital gains exemption, a family member must receive or be attributed an amount from the trust that is at least equal to the taxable portion of the capital gain—currently 50% of the realized gain.

**PRACTICAL
EXAMPLE**

Let's take the example of an entrepreneur who founded a small business corporation more than 20 years ago.



Some 10 to 15 years later, the company was growing nicely, and she decided to freeze her estate. New shares in the company were subscribed by a family trust. At the time, it was reasonable to expect that the business' value would continue to appreciate over the coming years.

Now the entrepreneur receives an attractive offer from someone interested in purchasing all of the company shares. Upon checking, the conditions for the lifetime capital gains exemption are satisfied.

The entrepreneur goes ahead with sale. She realizes a capital gain of \$750,000 on her frozen shares, and the family trust realizes a gain of \$5,000,000 on its shares. The taxable portion of the trust's capital gain is \$2,500,000, representing 50% of the realized gain.

The trust's beneficiaries include the entrepreneur's two sons and three nieces, all of whom are young adults. She could allocate a capital gain of \$1,000,000 to each beneficiary, ensuring that the total gain from the sale is sheltered by a lifetime capital gains exemption. That would be great, but... For this to be possible, the trustees would need to pay or attribute \$500,000—equivalent to the taxable portion of the \$1,000,000 capital gain—to each son and each niece. The non-taxable portion of the gain could be paid to the entrepreneur if she is a beneficiary of the trust.

The entrepreneur isn't entirely comfortable with the idea of giving each beneficiary such a large sum because she's worried that, at this point, some of them lack the financial maturity needed to manage it. When she shares her concerns, she is advised to set up a family investment corporation.

This type of structure would give the beneficiaries the chance to learn how to manage a substantial amount of money. It would also give the entrepreneur the ability to decide, through the use of super-voting shares and a shareholders' agreement, when each beneficiary is sufficiently mature and independent to manage their capital. Plus, it would help cut down on management fees because the assets would be pooled.

However, this strategy only makes sense if the young beneficiaries want this kind of investment mentoring. And it could be less tax efficient than holding the investments directly. Family investment corporations are easy to set up and administer. They're also flexible and can be adjusted over time.



If you think a family investment corporation could be a good idea for you and your loved ones, be sure to discuss it with your wealth manager.