

Inheritance Planning



John and Mary have worked hard to build a successful business. A business that John hoped he would pass down to one of his three children. Mary encouraged her children to follow their passions; therefore, she was less confident than her husband that one of their children would take over the business. And unfortunately, the children weren't interested in taking over the business.

John and Mary are ready to retire and agree to sell the business. With sizable proceeds, they allocate suitable funds to support a very comfortable retirement and decide to leave an inheritance for each one of their children. Sounds reasonable, right? Perhaps. However, how can they ensure the children use the inheritance for something meaningful and purposeful?

Plan the Inheritance

What is the intended purpose? Is it to:

- enhance their children's lifestyle?
- protect the assets from marital breakdown or litigation?
- provide education funding for their grandchildren? or;
- perhaps the intent is to create multi-generational family wealth?

Considering the purpose, John and Mary can decide if they gift some of the money now or maximize the inheritance to their heirs after their deaths. Whatever they decide, they will need to be clear about the purpose of the inheritance to ensure their plan is appropriately structured.

Commit to a Plan

John and Mary need to commit to a plan that will communicate the purpose of the inheritance. Inheritance planning requires careful consideration supported by a team of professionals with specialized knowledge, including:

- A Lawyer that will draft the documents needed, such as Wills, Trusts, Powers of Attorney, etc.
- An Accountant to ensure the plan is structured in the most tax-efficient manner and, with the in-depth knowledge of their business, will provide a smooth and effective transition of their business, converting their lifelong working capital into cash.
- A Certified Financial Planner who will help John and Mary create a comprehensive financial plan to determine how much of the business proceeds will be necessary to fund their lifestyle during their retirement and how much can be immediately allocated to the inheritance plan.



Inheritance planning is not so rigid that it's carved in stone, but it can be costly in the future if it's not structured well in the beginning.

Take a Disciplined Approach

Taking a disciplined approach will help John and Mary avoid the many nightmares that often come with managing family wealth.

We've all heard the stories of elder abuse as one child exerts undue influence on the parents. For example, convincing them to pay their debts, buy them a car, or provide money for a lifestyle they've not earned, all at the expense of the parents and other inheritors.

A disciplined inheritance strategy can protect John and Mary's wealth and ensure it is used for the purposes they initially outlined in a fair and structured manner.

Practice Open and Honest Communication

The most important issue in inheritance planning is having open and honest communication between those passing the wealth on and those receiving it. In this case, John and Mary should involve their three children in the process to understand their parents' purpose, what they are committing to, and how they plan to distribute their wealth. This open communication provides a platform for the children to ask questions and better understand their parents' wishes to know what to expect. Having an open communication strategy can have a tremendous impact on maintaining family harmony and minimizing discord between the inheritors.

Once John and Mary have created their inheritance plan and communicated their intentions to their children, they can get on with enjoying their freedom in retirement. They can spend their days enjoying the fruits of their many years of labour. Instead of worrying about spending their children's inheritance, they can rest assured that they have the plan to achieve their retirement goals and pass on their wealth strategically and meaningfully.

Have Questions? Contact Lucja (Lucy) Davson at 780-463-8101 or email wealth@kbh.ca.