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# Overheard at Crowe Soberman | The Great Wealth Transfer

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overheard

— AT CROWE SOBERMAN —

Overheard at Crowe Soberman is a series of blog posts and videos where we talk about the things we talk about around the office and with our clients except

with the cameras or recorders on. It's sort of like going out for coffee with one of our Crowe Soberman experts, but without the caffeine jitters. Feel like you need more? Connect with our author.

Accenture reports that over the next 30 to 40 years, our society will experience the greatest wealth transfer in history with multiple trillions of dollars passing from boomers to their heirs. Even though a future heir can be established and self-sufficient, if they inherit a substantial amount of money, there's a large responsibility that comes along with being a steward of that wealth. We sat down with Tax Partner and **SuRE (Succession, Retirement and Estate**

**Planning) Group** member, Ali Spinner, so she could share her advice for those passing wealth on to future generations.

**A recent Forbes article claims that, "70% of intergenerational wealth transfers will fail by the time they reach the second generation." Why do you think that happens?**

Values don't always remain constant from one generation to the next. If you don't communicate your visions for your wealth, you're gearing up for the next generation to spend it in a way that you may not have envisioned. People often don't understand the full responsibility that comes along with a large inheritance or haven't been educated on how to be a steward of wealth. The goal is to leave the pot as big for the next generation.

You can live off the income during your lifetime, but leave the body of the capital for the future generation.

**According to a report by RBC Wealth Management, 1 in 3 Canadians have zero preparations for their financial future. Why do you think people put off wealth planning?**

It's a sensitive subject. Children don't want to approach their parents and bluntly ask, "What am I inheriting?" However, it's important for heirs to be wealth transfer knowledgeable and have a solid understanding of the benefactor's hopes and wishes, as well as how they can help live out the family legacy.

Parents also have a duty to educate their heirs on what it means to be a steward of that money. Some of my clients prefer their children to not know anything – but you're not setting them up for success if you take that route. There's no cookie cutter solution for when to talk to your heirs; it's up to each individual family. If you want ensure there's capital preservation, so the pool of capital won't be depleted

and the fruits of that capital can be used for lifestyle purposes of future generations, communication is key.

**How can benefactors prepare their heirs for a successful wealth transfer?**

It's important to project across your value system to your heirs and discuss what you would like to see, otherwise they won't be able to see your vision through. The next generation doesn't necessarily have to stick to the plan (they can do what they want with their own money) but at least you're giving them an opportunity to be successful.

In lieu of family conversations, people sometimes create complex plans where they come up with cumbersome structures to hold the family wealth so that it ties everyone together and essentially marries the children to each other, which can be a recipe for disaster.

Depending on the nature and financial literacy of the family, both the benefactors and heirs can be well-equipped to have that conversation together, with or without a facilitator to assist in the discussion. I always recommend that there's

an element of formality to the communication and that it's not just a casual family chat around the dinner table. Calling for an annual family meeting held at a specific location, where everyone is prepped in advance with information and comes prepared with questions, is one of the most successful alternatives I've seen.

In certain circumstances, we encourage clients to slowly "turn on the tap" and get their heirs used to receiving a steady amount of cash flow. Whether it's \$500 or \$5000 a month, mirroring what their income will be after they receive their inheritance, they can start slowly and become familiar to the look and feel of what it means to be a steward of this wealth.

**Families often have a philanthropic plan that benefactors hope their heirs will carry out. Is charitable giving something that should be discussed in conversation or firmly-stated within the benefactor's will?**

It can be both. Whether benefactors create a foundation or charitable fund during their lifetime (or upon death) to give away the money or simply

encourage their children to continue annual giving, each one has their own pros and cons. If benefactors want certainty that the money is given to charity, then we suggest establishing a charitable fund or setting up an outright gift. Benefactors can also bring their children into the family discussion by having them become involved in the charitable fund.

### **What is one thing that people can do today to gain confidence in their succession plans?**

Schedule that family meeting. Even if it's a few years out, make plans to have a discussion about wealth transfer. Facilitators, such as your family's accountant, lawyer, or wealth advisor, are experienced in assisting these sorts of discussions and should be brought in to help when needed.

If you're not comfortable with starting the conversation quite yet, do your family a favour and make sure that all of your documents are organized and easily accessible. They'll thank you for it.

Whether it's communicating your values and hopes for your family's wealth or making sure your heirs have a good relationship with your accountants and advisors, have those important discussions to the point that you are at ease.

*This article has been prepared for the general information of our clients. Specific professional advice should be obtained prior to the implementation of any suggestion contained in this article. Please note that this publication should not be considered a substitute for personalized tax advice related to your particular situation.*

## Connect with the Author

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Ali is a partner in the firm's Tax Group. She is involved in all aspects of the firm's domestic and international tax practices. She is also experienced in estate and trust planning, corporate structures, reorganization and tax planning. You can connect with Ali at [ali.spinner@crowesoberman.com](mailto:ali.spinner@crowesoberman.com) or by phone at 416 963 7129.

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Our core services are in Audit, Tax, and Advisory. Along with these, we have professionals who specialize in Business Valuation, Claims Valuation, Corporate Recovery & Turnaround, Forensics, Estates & Trusts, Global Mobility Services, HR Consulting, Commodity Tax (HST), International Transactions & Consulting, International Tax, Litigation Support, M&A Transactions, Management Services, Personal Insolvency and Succession Planning. Members of our various specialty services groups are available when required as a technical resource to assist the client service team.

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