Focus newsletter

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On your marks, get set, give!

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Inheritance is defined as something that is passed on via an estate. Even though the word's origins have no obvious connection with death, the popular imagination views inheritance as something that is passed on from a deceased person to the next generation. Be that as it may, nothing prevents a living person from passing on part of their estate. It's what is known as an "inter vivos gift," or a donation during a person's lifetime.

It can be a very interesting option—in personal as well as financial terms—as long as you don't let your emotions get in the way!

Give from the heart, but let your head do the thinking

Whether you choose to give to loved ones or a foundation, proceeding with a donation during your lifetime can be an intense experience. Imagine the joy of seeing your child walk into their first home or start a business. Given the current economic situation, you may be tempted to give from the heart without considering all the relevant aspects.

For example, as a first step, you need to make sure that you won't outlive your estate. An in-depth analysis of your financial situation must show that you have enough money to weather a worst-case scenario and that the planned gift won't put you in a precarious position down the road. You should also ask yourself if your loved ones are in a position to effectively manage a large sum of money, especially if they don't have any specific goals. Keep in mind that certain gifts, such as a second home or rental property, may trigger immediate capital gains tax obligations for the giver, who will need to raise the required cash. And finally, if your loved ones make improper use of the bequest, it could lead to unfortunate family conflicts.

The best way to ensure a positive giving experience is to let a professional guide you through the process. Proper financial planning, retirement income projections and an estate inventory will help you make well-considered decisions and take action with peace of mind.

The Focus newsletter is going digital!

The December 2024 newsletter will be our last print issue. Starting in April 2025, the Focus newsletter will be available on your secure portal at vmdconseil.ca/en. In addition to reducing our paper consumption, the digital newsletter will have more to offer, while also being more user-friendly.

Don't have access to the secure portal? Talk to your wealth manager for more information. The portal also offers the option to receive other documents online, like quarterly statements and tax slips.

Transferring your business: It's not just a question of numbers!

ANNE-MARIE FOURNIER
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Whether you're thinking of transferring your business to your children or an external buyer, there are several human aspects to consider as well, above and beyond the transaction itself.

Although the proceeds from selling your business often account for the lion's share of the capital to fund your retirement, you shouldn't lose sight of the fact that your business has been an important part of your life. On top of taking care of the financial, tax and legal aspects of the transfer, you also need a game plan for passing on your company's philosophy and values.

Transferring the business to your children

First of all, you need to get them to confirm that they want to take on the business. Are they as keen about taking it on as you are about signing it over to them? If they are, they've possibly already been involved in the company for some time and know a lot about how it works, especially if they've held various roles over the years. Even so, it's a good idea to gradually integrate them into your decision-making processes and get them to attend meetings with your suppliers and clients so they can get acquainted with each other. It would also do no harm to talk to your children about their vision for the company's future, especially if there are plans to relocate or expand the business. Frank discussions will avoid unpleasant surprises and tensions at your future family gatherings!

"First of all, you need to get them to confirm that they want to take on the business."

Transferring the business to an external buyer

An external buyer is usually interested in your industry, your clients and/or your company's profitability. This kind of transaction is usually completed faster than an intergenerational transfer to your children, since an external buyer doesn't want to share decision-making powers. You can designate a few key employees who'll be able to support the future owner after you leave. It's also not a bad idea to ask the future owner about their intentions concerning such things as maintaining existing staff levels and business relationships.

Take your time getting ready for the transfer

No matter whether you're transferring the business to your children or an external buyer, one of the most important aspects is what the transfer means to you. Some business owners are very comfortable with handing over the reins once the transfer is complete. Others can't let go as readily, preferring instead to wait for the right buyer who shares the same vision.

One thing's for sure: It's best to avoid a situation where you're forced to make a decision about transferring the business without being able to take the time to think it over first. Just because you start thinking about the business transfer doesn't mean you have to go ahead with it right away. And you'll have more peace of mind once the moment of truth arrives.

3 questions about investment horizons

MICHEL DOUCET
Vice-President, Investment Strategist and Portfolio Manager

Investing with a vision that aligns your investment horizon with your goals.

1. What's the purpose of an investment horizon?

It's essential for guiding your investment choices. It represents the period during which you plan to hold on to your investments, before you expect to use them. If you have a long-term investment horizon, you can consider higher-risk assets, such as equities, which can earn you higher potential returns. A shorter investment horizon, on the other hand, should guide you to focus on safer investments, such as money market solutions and bonds. Keep in mind that it's important to have a diversified portfolio, including cash, bonds, stocks and alternative investments, regardless of fluctuations over time.

2. How do you determine your investment horizon?

Start by assessing your financial needs over different time horizons (short-, medium- and long-term). Your risk tolerance also plays a crucial role in this equation. Do you want to navigate the choppy waters of the markets for higher potential returns? Or do you prefer to cruise through calmer and steadier seas for more modest returns? Understanding this dynamic is key to building a portfolio that reflects your investor profile and financial goals. If your financial situation or goals change, you can reassess your financial plan with your wealth manager and adjust your portfolio in line with your new needs and risk tolerance.

3. Can your goals influence your investment horizon?

Yes, they can! Your goals require careful planning to ensure that you'll have funds available at the right time, while also considering the tax implications. If you're weighing how to give to a cause you care about during your lifetime without compromising your family's financial security, you should talk to your wealth manager.

They can help you adjust your investment horizon and guide you on the type of asset to liquidate and the best time for doing so. That way, you and the organization you're supporting can make the most of the financial and tax benefits.

Your wealth manager can also assist with structuring and integrating the donation into your overall investment strategy to maximize its effect. For example, the returns from a responsible investment portfolio can be used to fund charitable initiatives, thereby creating a sustainable loop where your invested capital keeps producing positive impacts.

> "Your investment horizon is more than just a question of timing."

To conclude, your investment horizon is more than just a question of timing. It helps guide your ship through unpredictable waters and through economic and investment cycles, ensuring you'll get where you want to go.

Estate planning: Turning words into deeds

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Drafting or revising your will is easier than it sounds! But it isn't just a question of writing down your wishes and intentions. You'll need to crunch the numbers as well.

For estate planning to be effective, you need to start with a properly drafted will. It's in your best interest to seek the help of a professional, like a notary, who knows how to word a will to avoid any ambiguities.

You may be surprised to find just how many questions and feelings come up when drafting a will. What's more, a will isn't a static document. It has to change and adapt to the situation of your loved ones and the composition of your assets. That's why it's necessary to periodically revise it.

Estate inventory: Your planning cornerstone

An estate inventory is an up-to-date list of what you have and what you owe. For example, the estate inventory may list the value of your properties, vehicles, jewellery, art, and investments and equities, as well as any amounts owing, such as personal or mortgage debt. A business owner's estate inventory must also take into account the business's organizational structure.

In addition to providing an overview of your assets, which makes it easier to determine your estate planning goals, the estate inventory can help you identify and calculate the tax implications following your death.

Furthermore, the estate inventory allows you to estimate any cashflow shortfalls affecting your estate and, together with a professional, put in place appropriate corrective strategies, such as purchasing a life insurance policy.

In other words, the estate inventory is an opportunity to work out the figures in your will and ensure it can be implemented hitch-free.

Planning tools can change over time

You should keep in mind that your estate inventory may change over time. This can be caused by various things, such as:

- A period of asset accumulation
- A period of asset disbursements (for example, at retirement)
- A significant inheritance
- An organizational restructuring (in the case of business owners)

That's why it's so important to be meticulous about updating your estate inventory and making any necessary changes to your will. The need to keep changing your will over time can seem like a difficult task if you've never before expressed your wishes and intentions in dollars and cents.

Review and revise your will

You need to develop a reflex to revise your will whenever a significant life event happens, such as a separation or the death of a loved one. You need to do the same when there are major changes to your estate inventory so you can be sure of your ability to honour your wishes and intentions.

If you've never worked out the figures in your will before, your wealth manager can help. Reach out today!

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