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Estate Plans and Your Children

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After spending a lifetime managing your money to ensure that you actually have something to leave to your heirs, there are some questions that might naturally spring to mind. How much should you leave them? Should you make arrangements to give it to them while you're still alive? More importantly, will giving them a large sum of money actually help them or set them up for failure? These are just three of the most important things you should consider before setting up your estate distribution plan.

More than a third of younger Canadians are building financial strategies that rely, at least in part, on anticipated future inheritances. Many of them are aware that the country is roughly halfway through a period of unprecedented generational wealth transfer that amounts to about one trillion dollars. If your estate is sizeable enough to make a difference in your children's lives, then it is important to decide exactly how you want to deal with any potential transfer.

The question of how much to leave them looms large in any planning effort. While there has been a tradition in the West of wealthy people leaving large sums to their heirs, there is an equally important tradition of doing so in moderation. As part of that more modest approach, many parents are opting to leave smaller endowments to their children, while reserving the bulk of the estate for charitable foundations and other public service efforts.

You might also be one of the growing numbers of parents who are resistant to the idea of giving children so much money that they lose the incentive to make it on their own. Some worry that their children would squander inherited wealth within a few years, and that a lifetime of hard work and careful asset management would end up being wasted.

To counter this concern, you can do like other parents and **dole out small portions of money while you are still alive,** which can accomplish a couple of important goals. First, it can give you an opportunity to observe and evaluate just how capable your grown children are when it comes to prudently managing financial assets. Second, you can actually be giving them some financial assistance during the period when they're most likely to benefit from it, rather than after they're more likely to be financially stable themselves.

Interestingly enough, the latter option is gaining in popularity. Some families are even setting up their own versions of family banks – an internal family account against which children can borrow for things like a mortgage or new business venture, which can be a great way to ensure that everyone in the family develops a proper appreciation for sound money management skills.

In the end, the most important thing that you can do for your children is to **effectively communicate your strategy** to them. While leaving your children $100 million dollars might seem as though it is setting them up for failure, it can be equally destructive to have them expecting something they're never going to receive. When your children better understand what your estate planning is intended to accomplish, everyone in the family will benefit.

Give us a call [4] if you need help getting your estate plan in order.

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