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Transferring wealth down generations is as much about communication, values, and education, as it is about capital. Read more about The Great Wealth Transfer and knowledge nuggets on healthy financial habits in my recent feature article in Financial Post.

# Giving while you're living and other options for the huge $30-trillion intergenerational wealth transfer

**The best way to transfer wealth is rooted in a foundation of financial literacy, open discussion and honest communication**

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See the column on Financial Post's website here.

The Great Wealth Transfer represents an unprecedented passage of capital and values from one generation to the next, with approximately US$30 trillion passing from baby boomers to 90 million millennials over the next decade.

Although every family is unique, the best way for parents to transfer their wealth to the next generation is rooted in a foundation of financial literacy, open discussion and honest communication.

Since women tend to live longer than men, a generation of baby boomer women may inherit the first wave of this transfer upon the death of their husbands. This wealth may then be transferred to their millennial children.

Although inheritance continues to be a primary vehicle for the passage of wealth between generations, many are instead adopting a “giving while you’re living” mentality.

Financially savvy parents may choose to open a registered education savings plan (RESP) for their children at birth as a tax-sheltered way to save for and invest in their post-secondary education. On their child’s 18th birthday, parents may then choose to contribute to that child’s tax-free savings account (TFSA), allowing them to learn about investing while growing their wealth for the future.

Upon graduation, these savings vehicles, along with financial assistance from their parents, can help provide young adult children with the wealth needed to purchase their first home. Approximately 30 per cent of the homes purchased by millennials include capital gifted to them by their baby boomer parents, but younger generations without access to such cash continue to face financial struggles due to the increased costs of living and an inflationary housing market.

Along with being a way to support your children financially, the giving-while-you’re-living strategy is a tax-smart way to transfer wealth. For example, Canada doesn’t have an estate tax as many states in the United States do, but there are probate fees that must be paid by the estate upon death. To avoid these fees, many choose to give their wealth away while they’re alive, since Canadians can give an unlimited amount of money as gifts without being taxed.

For example, one tax-free way to transfer wealth to the next generation is for parents to gift the money earned on the sale of their home while downsizing. Life insurance is also a smart way to transfer wealth as it is creditor proof, guaranteed and tax free.

Wealth transfer is as much about passing down wealth-management knowledge as it is about passing down the capital itself. Often underestimated, financial literacy remains at the core of how parents protect and grow their wealth, transfer wealth to their children and educate their children on how to do the same for generations to come.

As the adage says: give someone a fish and they’ll eat for a day, but teach someone to fish and they’ll eat for a lifetime. Teaching your children healthy financial habits at a young age will empower them to make thoughtful, long-term financial choices.

It is important to approach conversations about your estate in a way that makes the most sense for you and your family. Even though it may be uncomfortable, talking about money while you are alive and healthy is a best practice so the next generation understands what will be passed down as well as how to manage and protect their assets.

Being upfront and honest well in advance should avoid surprises and can set an often lengthy and emotional process up for success.

Every parent wants to ensure their children are taken care of after they die. The first step is to create a will and keep it up to date by reviewing it with a financial adviser every few years or as circumstances change. Approximately 60 per cent of Canadians do not have a will; for these Canadians, the government will decide where their money will go, which can result in family strife and the estate incurring unnecessary costs and delays.

Keep in mind that aiming for a fair distribution of wealth does not always mean an equal distribution of wealth. For example, one child may be successful and financially stable while another may be struggling with greater financial obstacles. For the latter, putting money in a trust could be a feasible option so they have a consistent income. A family meeting with the guidance of a moderator to explain the distribution of wealth, answer questions and make family members feel heard can reduce conflict.

A wealth management adviser can coach you to understand the smartest way to transfer your money and guide conversations with your family along the way.

No matter how you transfer your wealth — whether by empowering children with wealth management knowledge through financial literacy, giving while you're living through financial gifts or bestowing an inheritance — whenever money is involved, honest and open communication is paramount and could save money, headaches and time in the long run.