

Topic 9

PROVIDING SUPPORT TO GRANDCHILDREN AND OTHER LOVED ONES



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You may look forward to gifting family photos and other heirlooms to your grandchildren or other loved ones. These can become among their most treasured memories.

You may also consider the gift of financial support, if you have money saved that you won't need yourself. Some people offer to help pay for a child's education, for example. Others pay for sports, music or other activities. Others pay for family vacations.

As you think about the different ways you could contribute, make sure you talk it over first with their parents. The more you can align your plans with theirs, the more likely your gift will be truly appreciated.

Would you like to learn more about providing support to your grandchildren and other loved ones? Read: **Gifts to grandchildren: What to consider when transferring your wealth.**

What's to talk about?

- A. **What are some common ways to pass on money or assets to grandchildren or other loved ones? Can you gift money or assets to a child but apply certain conditions – like setting the age they will receive the gift or how the money will be used?**

There are a few ways to pass money or assets directly to your grandchildren and other loved ones. Some are tax-free. Some offer a measure of control, so that you have more say in how the child(ren) will receive the gift, at what age and what they can use it for. Here's how to start a conversation about your plans.

If you are parents of adult children:

- You don't want to give away money you may need later. So, seek professional advice to work out the best plan for you and your grandchild(ren) or other loved ones. You can also ask your financial advisor to meet with the child(ren)'s parent(s) to discuss your plans and invite them to provide input.
- One option to discuss is simply giving a cash gift. There is no gift tax in Canada, so this makes it an attractive choice. But if you have something in mind that you'd like the child(ren) to use the money for, be sure to talk to their parent(s) about it and why. For example, perhaps you want the child to take music lessons or be able to travel when they get older. Or you want them to put the money towards a down payment on a home when they're ready to buy.



- Another option is to leave money for your grandchild(ren) or other loved ones in your will. Many people do this when it comes to larger transfers of assets. However, this can get complicated very quickly depending on how you are dividing your wealth. Is equal the same thing as fair? What if one of your children has three kids and the other has two? Does each family get the same dollar amount, or does each grandchild? You may want to explain your thinking to your adult child(ren) or other loved ones so there are no surprises or hurt feelings.
- You can also set up a family trust for your grandchild(ren). This choice allows you to set more rules around when and how your grandchild(ren) will receive the gift. You may also set conditions on what they use the money for. However, the costs and complexity of this option may make it more suitable for larger transfers of wealth. Seek advice from someone who has a lot of experience in setting up family trusts.
- If your main goal is to help pay for higher education, see question (b) below.



If you are an adult child:

- If your parent(s) want to transfer larger amounts of money to their grandchildren, first ask them if they have consulted a financial advisor. Can they afford the gift they want to give? Are they confident that they won't need the money in the future?
- If your parent(s) want to gift a larger amount, ask them to discuss the details with you first. Do they have any particular wishes about what the money will be used for? For example, do they want their grandchild(ren) to attend a private school or go to university? Take music lessons? Buy a house, if they're older? Work out a plan together with your parent(s) so that everyone agrees on where the money will go.
- If your parent(s) want to set up a family trust, ask them to share the details with you. For example: How will the money be managed? When can the grandchild(ren) access the funds? How will the money in the trust be invested? How is the money to be distributed? Also ask your parent(s) if they understand that once the money moves into the trust it is no longer "theirs" to do with what they wish. Make sure they get professional advice from an advisor with a lot of experience in setting up family trusts.

Ready to learn more? Read: **Gifting to grandchildren: What to consider when transferring your wealth.**

B. What is the best way to help save for a child's education?

Many Canadians contribute to a Registered Education Savings Plan (RESP) to help pay for a child's post-secondary education. If you would like to contribute, be sure to coordinate with the child(ren)'s parent(s). This will allow you to take full advantage of the government grants offered when you contribute to an RESP – up to \$7,200 for each child.

Here's how to start the conversation.

If you are parents of adult children:

- Discuss with the child(ren)'s parents how to set up contributions to the RESP. You can contribute to an RESP set up by the child(ren)'s parents, or open your own RESP for the child(ren). Just note that if there are multiple plans you must coordinate to take full advantage of government grants. This is because the limits on government grants and contributions apply on a per student basis – not per plan.
- If you decide that each child will have one RESP set up by their parents: you can either give the money to the parents to deposit into the RESP for you, or you can ask for the account number of the plan and written permission to contribute directly to the plan.
- RESPs offer tax and savings advantages, but there are other options. Get professional financial advice to figure out the best plan. For example, you could put some of the money for a child in an RESP and the rest in a different account, like a Tax Free Savings Account (TFSA). Or, you could explore setting up a trust where the funds will be available only for education.

If you are an adult child:

- If your parent(s) want to contribute to an RESP for their grandchild(ren), ask them what other options they have considered. You and your parent(s) could meet with a financial planner to work out a coordinated plan.

Ready to learn more? Read: **Educational Savings Strategies or Support your grandchild's education.**

C. Can a child's parent(s) access money or assets that I gift to the child? How can I make sure that the child receives the assets or money I leave to them?

There are a few ways to ensure that gifts to a child reach them. The important thing is to have a solid estate plan and communicate it to the parent(s). Here's how to start the conversation.

If you are parents of adult children:

- Consult a financial planner and lawyer to find the best way to gift money or assets directly to your grandchild(ren) or other children, so that you have a legally enforceable plan.
- To avoid hurt feelings later, you may want to tell the parent why you're sharing part of your wealth with their child(ren) instead of them. You can also ensure your goals align with the plans the parents have for the child(ren). For example, you may want to pay for higher education for your grandchild(ren) or other children. But what if their parents want for their kids to pay their own way, at least in part? Can you align your wishes with theirs?



- If your goal is to provide the gift of higher education, you can discuss contributing to a Registered Education Savings Fund (RESP). If you want to delay the gift until the child(ren) reach age 18, you can discuss the option of setting up a formal trust.

If you are an adult child:

- Let your parent(s) know if you have any questions or concerns about their plans to provide a gift directly to their grandchild(ren). You can let them know what your own plans are for your kids and explore how to coordinate.
- You may want to discuss what values you are trying to promote in your own child(ren) – including the value of working toward a goal rather than having it all handed to them. Perhaps the gift to the grandkids could be aligned with your wishes – but it will depend on your parent(s) values and goals as well.

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D. **What are the tax implications of gifting money or assets to grandchildren or other loved ones?**

There is no tax on cash gifts in Canada. However, if you are passing on other assets – for example, non-registered investments or real estate – taxes may apply, even if the child(ren) are under age 18. Here's how to start a conversation about taxes on gifts to grandchildren or other children.

If you are parents of adult children:

- Consult a tax specialist or financial advisor to work out your plan. They can advise you on ways to defer or reduce taxes that may apply.
- Then set up a meeting with the child(ren)'s parents to share your plan. You may want to have your advisor lead the conversation and be available to answer any tax questions.

If you are an adult child:

- Ask questions and make sure you fully understand the tax implications of any gift to your child(ren). You may want to seek independent advice to explore all options to defer or reduce tax. Then share what you learn with your parent(s).



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Let's Talk Money: Seniors Conversation Starters

Providing Support to Grandchildren and Other Loved Ones

Questions for you as an Older Adult

- I am considering leaving a bit of a legacy for my grandchildren. Can I share with you some of my thoughts?
 - You know that as a family giving gifts of equal value has always been important. Can I share with you my thoughts on what I want to give to you and the rest of my children, and how I want to give something to my grandchildren as well?
 - I have worked hard for all that I have accomplished in my life, and I want those that benefit from my legacy to embrace some of my values – in return for what I am leaving them. Can we spend some time discussing my will, and the considerations that I am making?
 - You know that education has always been important to me and our family. Do you have an RESP for your children, I may want to see what I can do to help out?
 - I am concerned about tax burdens for those that I name as beneficiaries. Do you have any advice that you can offer with respect to minimizing impacts for my loved ones?
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