



Risk of accidental inheritance

An especially important reason to review your estate plan when you remarry is to avoid an accidental inheritance to a former spouse, which can happen when Wills and other financial assets aren't updated. Many people assume a new marriage cancels an existing Will, but this is only the case in certain provinces.

"When you do remarry, review not only your Will but also your beneficiary designations to make sure you are actually leaving those assets to the people you want them to go to at the end of the day," Potocnik says. I have seen situations where a former spouse receives the proceeds of an insurance policy because the beneficiary designation was never updated. These situations can be challenging and could open the door to the estate being litigated.

Be sure to update your beneficiary designations in your Will as well as financial products like Tax-Free Savings Accounts, life insurance policies and Registered Retirement Savings Plans to reflect the new family structure.

Sentimental assets

You might not think a painting or vintage car could cause a rift in the family after you pass away, but given their sentimental value, family heirlooms are just as important to plan for as financial assets. The daughter who expects to inherit her grandmother's antique jewelry only to see it go to her stepmother when her father passes would be heartbroken to lose a piece of her family history.

Spend some time considering which heirlooms or nostalgic items you own and who you want to pass them on to, then update your Will to prevent future strife between loved ones.

Complex emotional dynamics

Effective estate planning must take into account more than just the financial aspects of what you're leaving behind. It should also consider the emotional impact of how assets are distributed and the impact those choices have on the family unit. Communicating your general estate plans is a vital step, as is setting expectations with everyone, so speak with your children and stepchildren in a way that best suits your family's dynamics.

"You have to look at your own family and decide: what's the best mode to have this conversation?" Potocnik explains. "When is the best time to have this conversation, and how much do I want to share? Some clients will share every little detail, and other clients don't feel it's appropriate."

A professional executor can administer an estate or trust with objectivity and take extra care to preserve family harmony when beneficiaries are from two different families.

"Look at this as a process and not a one-time transaction. If you want to maintain family harmony at the end of the day, consider this as an opportunity to take a long-term approach to your estate planning and review it every five years to make sure it still reflects your wishes and intentions that you have when it comes to those two sets of children."

- Lydia Potocnik

Head, Estate Planning and Philanthropic Advisory Services, BMO Private Wealth



¹ <https://www.ajg.com/insights/ai-keeping-pace-with-the-cybercriminals> ² www150.statcan.gc.ca/n1/daily-quotidien/230801/dq230801a-eng.htm ³ Source: RKI | Research + Knowledge = Insights, 2022-2024

⁴In 2024, BMO Private Bank was recognized as the Best Private Bank in Canada by *World Finance Magazine* for the 14th consecutive year.

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“At BMO, we take every opportunity to “Grow the Good” and help build a more sustainable world. Planting trees is just one way we are helping to support communities, build climate resilience and restore nature,” says Melissa Fifield, Head of BMO Climate Institute.

Growing the good with tree planting

The race to net zero has largely focused on high-tech solutions that aim to reduce how much carbon we produce, but we can't forget about one critical low-tech – and low-cost – way to help us achieve our climate ambitions: trees.

Trees have forever been one of the best carbon-mitigating solutions. The average tree absorbs about 22 pounds of carbon dioxide per year during its first 20 years of growth. A 10-hectare forest absorbs the equivalent of 22 tonnes of carbon dioxide, which is about what five cars driving nearly 18,000 km a year produce. Against that backdrop, Canada's estimated 367 million hectares of forest should be a significant asset in the fight against climate change. However, between wildfires, invasive insect species outbreaks, droughts and deforestation, the country's forests are now actually emitting more carbon dioxide than they absorb.

BMO is also doing its part to “Grow the Good” and support reforestation projects. For the past four years, BMO Capital Markets has dedicated all the profits from one day of trading to a program called Trees from Trades. As of 2024, the initiative has raised enough funds to plant 440,000 trees. BMO Private Wealth has partnered with Tree Canada to plant a tree for each BMO Nesbitt Burns client account that goes paperless. [Learn more about this initiative here.](#)

A host of benefits

Reforestation will do more than just help pull more carbon out of the atmosphere. Trees can mitigate the effects of climate change by reducing soil erosion and slowing water flow, both of which can help prevent events like flooding and landslides. Urban forests, in particular, are critical in mitigating extreme weather events like flooding and extreme heat. A tree's root system slows the flow of water during a torrential downpour, which can prevent city sewers from becoming overwhelmed by stormwater runoff, as was the case in Toronto in 2024.

More than anything, planting trees is an activity anyone can do – whether physically or through a donation – making it an accessible way to feel like you're doing something yourself to fight climate change.

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What the next generation needs to know about money

While some people are learning more about money in school than in past years, **Rebecca Clark, Director of Wealth Planning for BMO Private Wealth**, who is also a part-time personal finance lecturer at Toronto Metropolitan University (TMU), says there is still a big gap in the education system when it comes to personal finances.

Don't count on a free ride

While everyone learns at their own pace, she finds that children from high-net-worth families often have the most difficulty managing their budgets. "With high-net-worth families, parents think they're helping their kids, but those kids end up being worse spenders than their counterparts," she says. "Children that have to struggle fare the best in the long term."

These days, not every family plans to pass on their wealth to their children. It's not because parents are spendthrifts, although that can be an issue, it's that there are several reasons why some families may not leave their kids as much as they expect, including living longer lives in retirement, increasing healthcare costs or the family wealth being tied up in the business.

Clark cautions the younger generation about counting on an inheritance because family circumstances can change suddenly. The death of a parent or divorce can have a significant impact on the transfer of wealth, for instance. "It happens more than you'd think." She recalls one instance where a widow unexpectedly married her caregiver without her kids' knowledge. Suddenly, that \$6-million estate the kids were counting on was signed away, she notes.

Understand the value of money

"The more you spend, the more expensive your life is and the more you need to save," says Clark. It sounds obvious, but it's a concept that individuals in all income brackets can struggle with. Overall, there is a perception that having wealth today will ensure it will be there for you in the future.



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- **Rebecca Clark**
Director of Wealth Planning
for BMO Private Wealth

She's seen a similar scenario for those just starting out when they get a promotion and a raise. A \$10,000 raise can sound significant to some, but most people will spend that money in their minds more than once. She explains they may not be thinking about the tax on that increase or how their spending could change in that new role. "They spend that money over and over again, forgetting that it's only available once," she says.

Live like a student

Regardless of your financial situation, Clark encourages everyone to live like a student at some point in their lives to appreciate the value of money. Clark isn't against parents lending a hand, instead, she'll often suggest that clients give a one-time gift, like a down payment on a home, and then leave it to the kids to cover the mortgage. That encourages them to find something they can still afford if interest rates rise.

Young adults must also be mindful of how their financial situation could impact their wealth. The example Clark thinks of would be someone paying for a home but sharing the space with a partner. That's a particular risk for high-net-worth families. Having a cohabitation agreement in those circumstances could make sense if you want to protect that asset should the relationship end.

Read up

It's about understanding the basics. Talking with your financial advisor is a good place to start. Most Canadians know about the importance of contributing to things like Registered Retirement Savings Plans (RRSPs) and Tax-Free Savings Accounts, but Clark isn't sure everyone understands why they're doing it.

The other tip she gives all her young pupils is to take advantage of the excellent money-management content available. The one source she recommends to everyone is a book called *Millionaire Teacher* by Andrew Hallam, a former middle-school teacher from Comox, B.C., who talks about how to grow your wealth even with an average salary.

Clark offers one other tip to that list: avoid analyzing your investments all the time. "Don't look at your stock prices every day or every week," she says, noting that obsessing over the day-to-day movements can be stressful – and counterproductive. "We're looking for the long game," she adds.

5 estate planning challenges for blended families (and how to solve them)

When someone mentions the term “blended families,” an image of The Brady Bunch may flash through the average person’s head. However, the reality is never that straightforward, and neither is building an estate plan for a blended family.

With about six in 1,000 marriages ending in divorce every year, developing an estate plan to include kids from previous relationships is something many couples have had to think about. Though divorce rates have declined in Canada since the early 1990s, the average age of divorce has risen to 46, up from 38.

With older divorcees comes the likelihood of more assets to divvy up and older children. The number of stepfamilies where the youngest child is over 25 years old topped one million in 2021, up from 770,000 in 2011 when Statistics Canada began recording this demographic data. What’s more, it’s not unusual for families coming together to be on their third or even fourth marriage. For high-net-worth (HNW) families, this can bring about all sorts of challenges when it comes to navigating the dynamics of estate planning.

“It’s not just the financial or legal aspects of estate planning when it comes to blended families,” says Lydia Potocnik, National Head of Estate Planning and Philanthropic Advisory Services at BMO Private Wealth. “The emotional aspects have to be factored in because you’re dealing with different sets of family members as well.”

With some forethought, though, you and your family can overcome these five estate planning challenges.

Diverse family structure

Unlike the traditional nuclear family, blended families can involve an intricate web of stepchildren, biological children and multiple sets of grandparents. Adult children from a previous marriage may have to contend with new, much younger half-siblings from the new union, or there may be a shift from a family with heterosexual parents to a

same-gender family. In fact, according to Statistics Canada, 39% of same-gender couples with children are stepfamilies, compared to 12% of heterosexual couples.

Ensuring fair estate distribution

Prenuptials, spousal trusts and life insurance.

Any union involving HNW families can trigger difficult questions about how that partnership impacts estate plans, or possibly even a business, if someone in the family owns one. Talking about how to balance the financial requirements and expectations of a current spouse with those children from previous relationships may not be the most romantic conversation, but it’s one that shouldn’t be put off.

A new couple with an uneven balance of assets can be the most important factor to address when it comes to estate planning. This is especially important when a family business is involved. Using a prenuptial agreement or marriage contract is a common tactic many HNW families use to protect assets brought into a marriage and define financial boundaries from the outset.

Establishing a spousal trust is another strategy that can be used in a marriage with an inequality of wealth, which can help retain some say over what happens to those assets in the future. A spousal trust can protect the surviving partner’s needs during their lifetime while ensuring remaining assets go to predetermined beneficiaries.

Life insurance is another tool that’s frequently used to provide greater equality when estate planning for blended families. For instance, insurance could be used to provide for adult children from a previous marriage who might not be eligible to receive their biological parent’s inheritance until after the step-parent passes. In this case, life insurance can be structured so that its proceeds go directly to those adult children upon the passing of their mother or father who remarried. Anything else in the estate could then go to the surviving spouse.

