Financial Foundations
The Established Years

Financial fundamentals don't lose their relevance over time. Whether you're managing a growing family, navigating a career transition, or beginning to plan for what comes next—they remain essential, simply taking on new dimensions.

Understanding your money

Knowing where your money goes is the starting point for everything else. It's not about restriction — it's about making sure your spending reflects your priorities, not just your habits.

Cash flow

Cash flow is the relationship between what comes in and what goes out. When you understand it clearly, decisions about saving and spending become intentional rather than reactive.

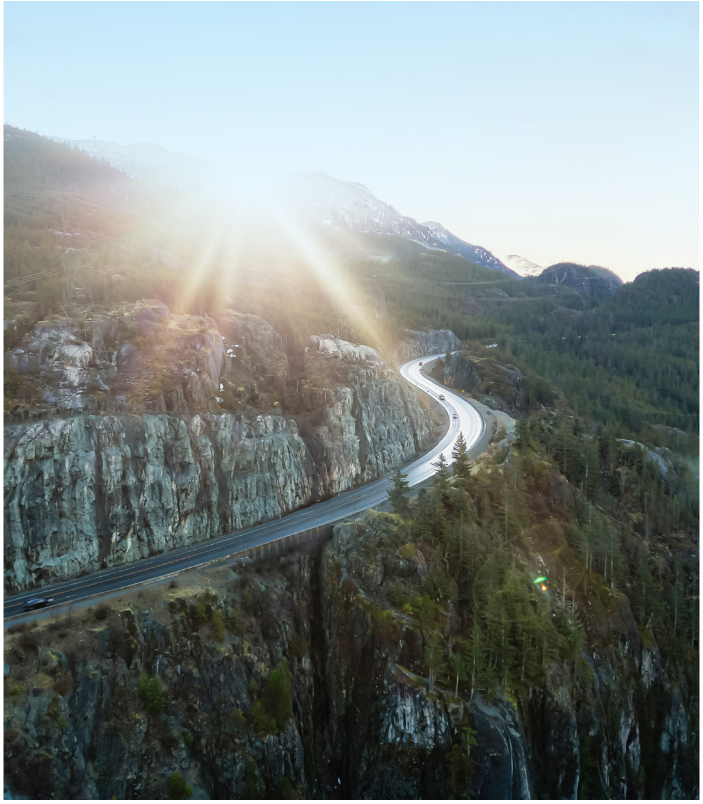
- **Track honestly:** Maintaining a clear view of your actual spending is foundational—cash flow often drifts without deliberate oversight.
- **Separate fixed from variable:** Distinguishing between fixed obligations and discretionary spending clarifies where flexibility exists.
- **Pay yourself first:** Treat saving as a consistent priority within your cash flow. Automating contributions helps ensure it happens without ongoing effort.

Setting goals

Goals give your financial decisions direction. Without them, spending tends to rise with income — and the gap between earning and building wealth stays the same.

- **Near-term:** Emergency fund, home renovations, travel.
- **Medium-term:** Children's education, a property purchase, a career change.
- **Long-term:** Retirement, supporting family, leaving something behind.

Worth noting: Income tends to rise over a career — and so does spending, often without a conscious decision. Revisiting your cash flow whenever your income changes is one of the most useful habits you can build.



Borrowing with intention

Debt is a tool. Used well, it helps you build assets and manage cash flow. Used carelessly, it erodes wealth quietly. The difference comes down to what you're borrowing for.

Your mortgage

Beyond the rate, what matters most is how your mortgage fits within your broader financial picture. Paying it down faster isn't always the right move — it depends on what else you could do with those dollars.

Lines of credit

A home equity line of credit or personal line of credit can be a flexible, lower-cost option for planned expenses. The risk is treating accessible credit as available cash.

Borrowing to invest

Leverage can amplify returns — but it amplifies risk equally. It's worth understanding fully before using it.

A useful question: Is this debt helping me build something, or funding consumption? Knowing the difference helps you borrow more deliberately.

Investing

Investing is the primary engine of long-term wealth creation. The principles apply at any stage — the earlier you start, the more time compounding has to work.

The building blocks

- **Stocks (equities):** Ownership in a company. Higher growth potential over time, with more short-term volatility.
- **Bonds (fixed income):** Loans to governments or corporations that pay regular interest. Generally more stable, with more modest returns.
- **Mutual funds and ETFs:** Pooled vehicles that hold a mix of securities. ETFs offer broad market exposure at low cost.
- **Alternative investments:** Private equity, real estate, infrastructure. Less liquid, but can offer diversification beyond traditional asset classes.

Diversification

Spreading investments across asset classes, geographies, and sectors reduces the impact of any single holding performing poorly. A diversified portfolio won't always lead — but it's built to last.

Risk and time horizon

How much risk is appropriate depends on how long your money has to grow and how you'll respond when markets decline. A portfolio you can't stay invested in during a downturn is the wrong portfolio.

Professional management

As portfolios grow in complexity, so does the value of having a dedicated team manage them. Discretionary management means your investments are handled according to an agreed mandate — with your long-term goals always in view.

On market timing: Time in the market consistently outperforms attempts to time the market. Staying invested through volatility is one of the most important decisions you can make.

Your investment accounts

Canada offers a range of registered accounts designed to help you save and invest more efficiently. Understanding which to use — and when — is a meaningful part of any financial plan.

Accounts you may already have

- **TFSA:** Tax-free growth and withdrawals at any time. Contribution room accumulates annually from age 18 and is restored when you withdraw.
- **RRSP:** Contributions are tax-deductible and growth is tax-deferred. Most effective when you contribute at a higher income and withdraw at a lower one. Can be converted to a RRIF by the end of the year you turn 71.
- **RRIF:** A successor to your RRSP. Provides ongoing retirement income while keeping investments tax-sheltered until withdrawal. Minimum annual withdrawals are required and included in taxable income. How you manage those withdrawals matters. **Note:** that it is not automatic, nor is it the only option available at the time one has to close their RRSP.
- **Non-registered accounts:** No contribution limits, no withdrawal restrictions — but income and gains are taxable. Useful beyond registered account limits and for goals outside the registered framework.

Accounts for specific goals

- **FHSA:** Combines RRSP-style deductibility with TFSA-style tax-free withdrawals for a qualifying first home purchase. Up to $40,000 lifetime contribution room for first-time buyers.
- **RESP:** Designed for a child's or grandchild's post-secondary education. The federal government contributes up to $500 annually through the Canada Education Savings Grant. From an estate planning perspective, an RESP does not pass automatically to beneficiaries the way registered accounts do, and forms part of an estate.
- **RDSP:** A long-term savings plan for individuals eligible for the Disability Tax Credit. Government bonds and grants are available. Structured to support individuals with disabilities over the long term.

If you've changed employers

- **LIRA:** Holds pension funds transferred from a former employer's plan. Funds are locked in with limited access but continue to grow tax-deferred.
- **LIF:** The retirement income version of a LIRA. When you begin drawing income, a LIRA converts to a LIF with regulated minimum and maximum withdrawals.

For incorporated individuals

- **IPP:** A company-sponsored pension funded by the corporation and structured to provide a defined level of retirement income. Can support higher tax-efficient savings than an RRSP, particularly later in your career, with added complexity.

A conversation worth having: The order you draw down accounts in retirement can have a meaningful impact on the taxes you pay over time. It's one of the more nuanced areas of wealth planning — and one where a conversation with your BMO Private Wealth professional can make a real difference.

Planning for what matters

Some of the most important financial decisions aren't about growing wealth — they're about protecting it and making sure it goes where you intend.

Your Will

A Will directs how your assets are distributed, names an executor, and — if you have minor children — appoints a guardian. Without one, the courts decide. Review it whenever your life changes significantly: marriage, divorce, a new child, a major shift in assets.

Powers of attorney

A power of attorney designates someone to make decisions on your behalf if you're unable to. One covers financial matters, another covers personal care. Both are essential — and neither is only for older adults.

Beneficiary designations

Registered accounts and life insurance pass directly to named beneficiaries — outside your Will entirely. They're efficient, but easy to let fall out of date. An ex-spouse still named as beneficiary is a common and costly oversight.

Talking to your family about money

One of the most valuable things you can do for your family has nothing to do with documents. It's having honest conversations about your values, your intentions, and what you'd want them to know.

Worth asking yourself: If something happened to you tomorrow, would the people you love know what to do and what you would have wanted? If the answer is uncertain, that's where to begin.

Protecting and passing on your wealth

As wealth grows, so does the importance of how it's structured. This isn't about complexity — it's about making sure what you've built works as intentionally as you did to create it.

Trusts

A trust holds assets for the benefit of someone else — a child, a family member, a future generation. They are more common than often assumed and more practical in application than they may initially appear. Trusts are used to provide for minor children, manage assets for someone not yet ready to receive them, protect assets in a blended family, or structure a gift over time.

If a trust might be relevant to your situation, your BMO Private Wealth professional can help you understand the options.

Insurance

Insurance protects the plan. Life insurance ensures your family can maintain stability if you're no longer there to provide it. Disability coverage replaces income if illness or injury keeps you from working — a risk more common than most people plan for. Critical illness coverage provides a lump sum that gives you options when a serious diagnosis changes everything.

The right coverage looks different for every family, and tends to evolve as your life does — particularly after major changes like a new dependent, a business transition, or a significant shift in assets.

Transferring wealth to the next generation

Many families choose to transfer wealth gradually — helping with a home purchase, contributing to grandchildren's RESPs, or giving while still alive to see the impact. These decisions have financial, tax, and relational dimensions worth thinking through.

- **Gifting:** Canada has no gift tax, but attribution rules and estate implications apply. Documenting whether funds are a gift or a loan matters — especially in blended families.
- **RESPs for grandchildren:** Government grants make this one of the most efficient ways to support the next generation's education.
- **Family conversations:** How wealth transfers — and how family members feel about it — is as important as the mechanics. Open communication about intentions tends to preserve both wealth and relationships.

Philanthropy

For many families, giving is part of how they think about their wealth. Structured giving — through donor-advised funds, charitable bequests, or foundations — can be personally meaningful and tax-efficient. It's also one of the most natural ways to bring the next generation into a shared conversation about values.

Where advice makes a difference
Protecting and passing on your wealth involves decisions that are deeply personal and often complex — from how a trust is structured to how insurance fits your plan. The right approach depends on your family's specific circumstances, and it's one of the areas where a conversation with your BMO Private Wealth professional can have the most lasting impact.

The bigger picture

Wealth is not just a number. It's the freedom to make choices that matter, the ability to take care of the people you love, and the opportunity to leave something behind that reflects what you stood for.

The concepts in this guide work best when they work together — a clear view of your cash flow, a borrowing strategy that builds rather than erodes, investments aligned to your goals, accounts structured efficiently, and a plan that protects your family and honours your intentions.

It's not about solving everything at once. It starts with the willingness to step back and take in the full picture.

Continuing your financial education

Your financial knowledge should grow alongside your wealth. BMO Private Wealth offers a range of resources and services to support you at every stage.

- **BMO Wealth Insights:** Articles, podcasts, and perspectives from BMO's wealth management team.

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