

Age is only a number

MARGARET O'SULLIVAN EXPLAINS WHY PARENTS ARE CHOOSING TO WAIT LONGER TO GIVE CHILDREN THEIR INHERITANCE

ONE OF THE more perplexing decisions faced by parents in their estate planning is choosing the appropriate age for their children to inherit their estate.

There is, of course, no magic age at which to inherit: it is only a number. A chosen age, or ages, is based only on an assumption that a child will be prepared to handle an inheritance at that time. A key factor in informing this decision will be the size and complexity of the inheritance: inheriting a modest estate is far different to inheriting a substantial one with complex assets, such as a business. A higher level of preparedness is required.

Parents often remark how different their children are in terms of spending and saving habits, and financial acumen, although raised in the same family environment. This makes decisions as to the appropriate age to inherit even more challenging. Further, when there are other factors, such as children with, for example, special needs, the issue takes on an entirely new dimension with very different considerations.

Having been an estate planning lawyer for over three decades, I have seen a significant shift in favour of later ages. I recall the irony, shortly after I started practice at the age of 27, of raising the issue, with as much gravitas as I could muster, of why the couple I was offering advice to might wish to consider later ages, such as 25 or 30, rather than their often initial response of 21. These days, I like to say that 30 is the new 25, and 35 the new 30.

In considering this issue, parents' initial reaction is often to look in the rear-view mirror at their own experience and what they were doing at a particular age, and then draw from that to make their decision. I like to encourage parents to instead look ahead to what is, or will be, their own children's life experience, and not their own, as the relevant consideration in arriving at their decision. It is, after all, their future.

Times have changed, as they did for our parents and their forebears. Young adults in my home jurisdiction of Canada are pursuing more

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post-secondary education, given our competitive economy and increased expectations from employers. They often do not enter the workforce until their mid-20s or later; when they do, they face a challenging job environment of first securing employment, and then trying to navigate a career path where there is often little job security.

Given the high cost of housing and other day-to-day needs, this generation are also living with their parents for longer periods than before, or otherwise remain financially dependent, which can hinder financial maturity and independence. People are also pursuing more diverse life choices, including choosing whether to enter long-term relationships or marriage and form families. When they do, it is often at a later age. Family responsibilities often force financial discipline and financial maturity out of necessity to look after the needs of a spouse and children that require support.

At the other end of the spectrum, if we are taking longer to 'grow up', we are also living longer, too. Consider that, in Canada, over the last decade alone, life expectancy for those who reach 65 has climbed by two years, and men and women who are 65 today can expect to live to 84 and 87, respectively. Further, half of Canadians aged 20 today are expected to live to age 90, and 10 per cent to 100. Perhaps it is nature's balancing act that there is a longer maturation period and now a longer ageing period. Parents need to consider the increased longevity of their children and not feel overly concerned with later development. After all, why the rush?

In answering the question of the appropriate age for children to inherit, parents also need to think about what steps they can take to try to prepare their children and develop their financial literacy and maturity so they will be ready to handle their inheritance. We all want our children to be happy and self-reliant in their life journey, and parents more than ever need to be encouraged to take affirmative steps to ensure a successful succession journey.