

The state of estate planning in Canada

A massive transfer of wealth— \$1 trillion+ —is expected to move between generations in Canada from 2020 to 2030¹. But how prepared is the average Canadian? And why is this preparation so vital?

“Thoughtful estate planning can help achieve many powerful, important goals,” says John Natale, Head of Tax Retirement & Estate Planning Services, Manulife Investment Management. The main goal is to make sure assets flow to the intended beneficiaries in the most efficient and tax-effective manner. But robust planning can also include transparent conversations between those giving and receiving wealth.

“Failure to have those conversations can sometimes rip families apart even over very insignificant dollar amounts just because of the symbolic or sentimental nature of certain estate assets,” says Natale. “Any time people have an opportunity to communicate and explain the rationale for their intentions and allow others to ask questions, I think it significantly reduces the chance of litigation and significantly increases the chance of family harmony afterwards.”

To gain a better understanding, the Manulife Investment Management State of Estate Planning Survey polled approximately 2,000 Canadians about what they’re doing in terms of estate planning; who they’re talking to about it; and how well they understand it.

Following are some of the highlights.

- Nearly one-in-five (19%) respondents said the pandemic has impacted their approach to estate planning. The highest proportion say they are now having more conversations about wealth transfer/estate planning (33%) or are reviewing/ updating their beneficiary designations (31%).
- Those who have a will/estate plan are increasingly discussing it with both their financial advisor and beneficiaries (28%, an increase of 4% over 2020, perhaps because they feel as though the uncertainty caused by the pandemic has necessitated such conversations).

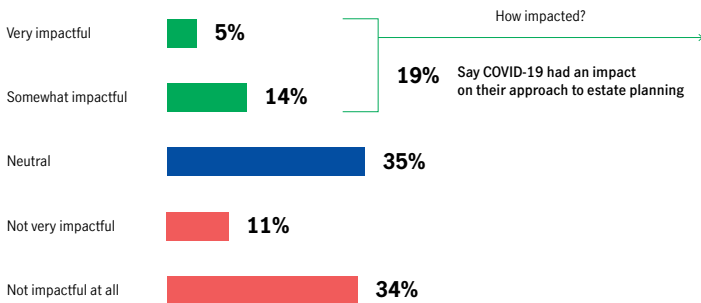
¹ Investor Economics, Household Balance Sheet Report – Canada, 2021.



How the pandemic has changed estate planning conversations and expectations

- Those who expect to inherit wealth are less likely to report discussing the situation with their financial advisor (if they have a financial advisor) than did during the last days of pre-pandemic times in early 2020. This may be because they don't want to have such a discussion virtually.
- Receiving an inheritance is taking longer than expected. More Canadians who received an inheritance during the pandemic report having to wait for over a year before receiving it (18%) compared to 12% in 2020.
- Interestingly, fewer Canadians (23%) say they have a written financial plan than did prior to the arrival of the pandemic, in early March 2020 when 26% reported having a written financial plan.

How impactful has the pandemic been on Canadians' estate planning?



Q3. How impactful has COVID-19 been on your approach to estate planning?
Base: Have a will/estate plan (n=807)

In what ways did pandemic have an impact on estate planning?



Q4. How has COVID-19 impacted your approach to estate planning?
(Select all that apply) (n=163)



Canadian attitudes about estate planning

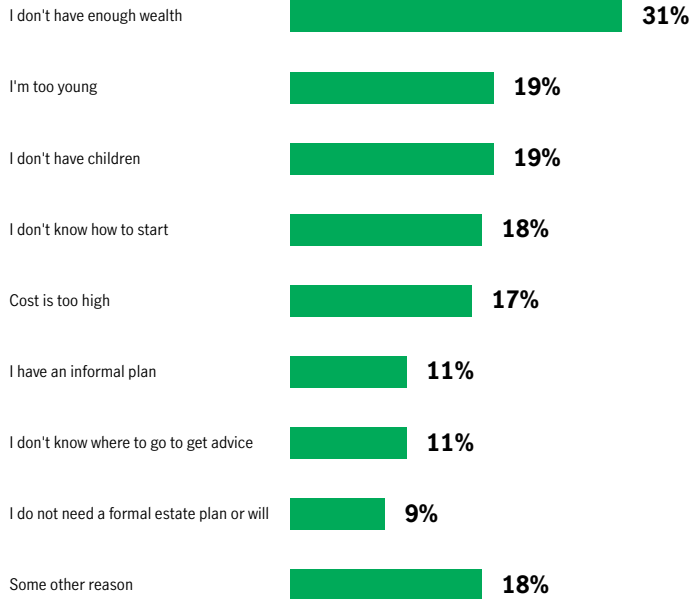
Pandemic issues aside, a substantial proportion of Canadians are not fully prepared for wealth transfer. The survey revealed that 46% continue to live life without ANY of the following:

- financial advisor
- written financial plan
- formal estate plan

The number who report having all three is only 13%.

Among those who do not have an estate plan, lack of wealth was the most cited reason.

The most common reasons for not having an estate plan

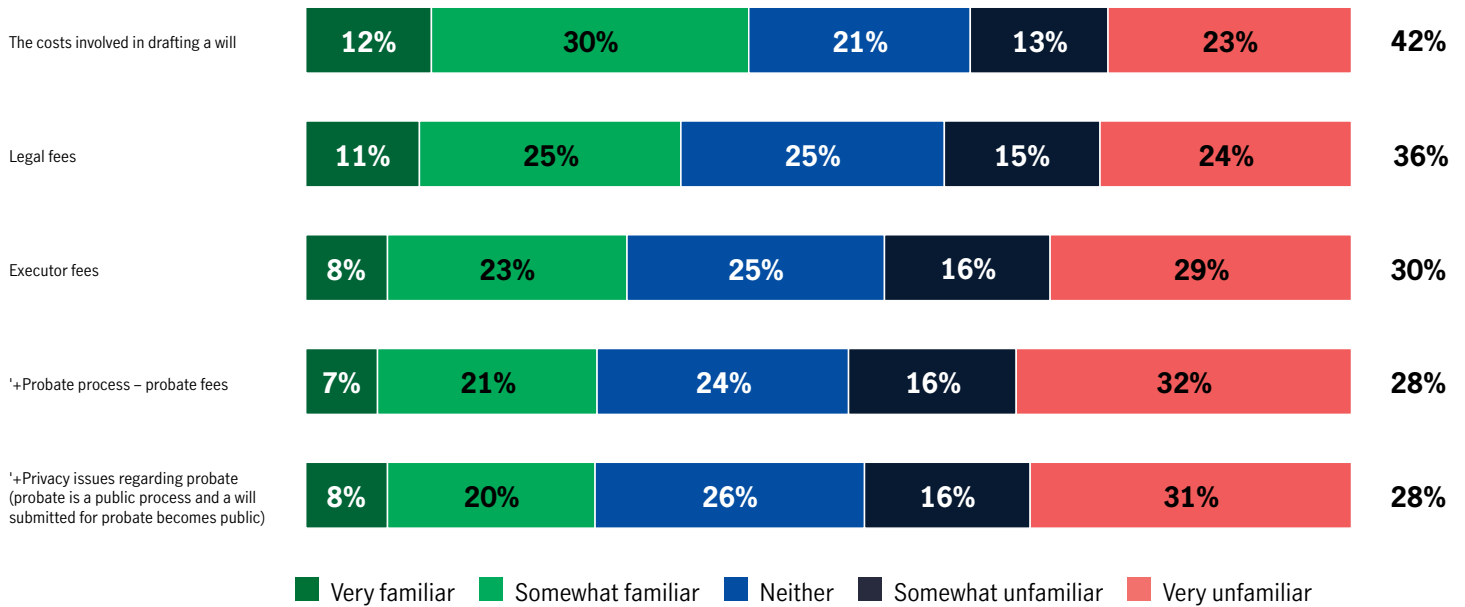


Q13: You've indicated that you do not have an estate plan or will. Why not? Base: Do not have estate plan or will (n=1194)

A lack of understanding about the estate planning process

Most Canadians admit lacking familiarity when it comes to most aspects of estate planning. Familiarity is highest when it comes to the costs associated with drafting a will (42%) and lowest regarding the probate process or privacy issues associated with the probate (28%). Note: Quebec respondents were excluded from questions regarding probate because the probate process and fees do not apply in Quebec.

Familiarity with estate planning and wealth transfer topics



Q14. How familiar are you with the following items typically involved in estate and wealth transfers?
 Base: All respondents (n=2001) +Base: All respondents, excluding those from Quebec (n=1645)

Estate planning and the value of financial advice

Advisors can make a big difference in the lives of Canadians. Two independent studies confirm that working with an advisor has a direct positive effect on investments and household savings, compared to households without an advisor. ([Saving for the future](#), [The gamma factors and the value of financial advice](#)).

Just as they make a difference while Canadians are building wealth, advisors also have a key role to play in helping investors transfer that wealth.

The Manulife survey showed that Canadians with advisors are more likely to have an estate plan, and they are more comfortable talking about that plan. The majority (87%) of Canadians who have a formal estate plan have discussed it with either their financial advisor or beneficiaries. Nearly three in 10 (28%) have discussed the plan with both parties.

Canadians who have a financial advisor are also more likely to have discussed their estate plan with their beneficiaries (71% vs. 61% of those who do not have a financial advisor).

A robust, detailed and documented estate plan, along with clear communication, can go a long way in ensuring smooth wealth transfer and minimizing any family conflict.

Estate plans can help provide:



Tax-efficiency

Less money to the government, more for loved ones



Family harmony

No fighting over who gets what



Speed

No lengthy court delays



Control

Confidence that your wealth will benefit the people you choose



Peace of mind

Knowledge that those who depend on you will have the financial support they need

For more information visit
manulifeim.ca/estateplanningtoolkit

Methodology:

The survey was conducted by Ipsos on behalf of Manulife Investment Management. The survey was conducted online between November 25 and 29, 2021. Ipsos sampled n=2,001 Canadians over the age of 18, including a minimum of 500 with investible assets of \$100K+. The precision of online polls is measured using a credibility interval. In this case, the results are accurate to within +/- 2.5 percentage points, 19 times out of 20, of what the results would have been had all adults in Canada over the age of 18 been polled.

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