8 tips for managing and maximizing your wealth

Wealth management may seem complex. But whether it's your personal or family finances, investments, preparing your estate or taxation, women who take control of their finances have everything to gain. Here are some tips from our experts.

1. Prepare a financial report and establish your goals

Before doing anything, prepare a report of your assets and liabilities and define your goals, for both you and your family. Certain life choices can have a direct effect on your budget and the value of your estate, such as sending your children to private school, buying a second home, travelling south every winter, having lunch at a restaurant every day or bringing your own lunch with you. You can choose to focus solely on household expenses, or even try and increase your revenue. But you can also opt to work on both aspects at the same time.

2. Choose the right savings vehicle

When you have a young family, expenses pile up and all arrive at the same time. Baby clothes, buying your first house, renovating, revenue loss due to parental leave, even paying back student loans… Since you may have limited funds for saving, it's important to choose the right vehicle.

Between an RRSP, a TFSA and an RESP, the recommendation of Daniel Laverdière, Senior Manager, Financial Planning and Advisory Services at National Bank Private Banking 1859, is to go with an RESP, to set aside amounts for your children's post-secondary education, for example.

"The advantage of an RESP is that it enables you to defer the taxes on the yield," he adds. "But also, the tax will be paid by your child, who will likely owe less than you would. It's an investment subsidized by the federal and provincial governments to a maximum of 30%. The contribution room for an RRSP and TFSI, for their part, accumulates year after year. You can catch up on your contributions that have accumulated throughout your working life."

For women without children, the RRSP and the TFSI are excellent saving vehicles.

3. Protect your family when it most counts

When you're in in the midst of the circus that is raising a young family, you don't have a lot of time to think about your own welfare. What would happen if you have an accident or even die? When you're young, you tend to think of yourself as invincible. But that's also the moment when you have the most to lose.

“For example, take a couple of young professionals at the beginnings of their careers,” explains Daniel Laverdière. “They’ve just built a new house, they have three kids and need both of their salaries to make ends meet. If something happens to one of them, the entire family will need help. By taking out life insurance, you protect the value of that human capital. It’s also possible to take out temporary insurance, which is less costly.”

For the same reason, he advises making an inventory of the protections provided by group insurance in case of disability or serious illness. If no coverage is provided, individual coverage to protect your revenue in case of misfortune should be considered.

4. Talk to your partner about money

Families that try to avoid talking about money or inheritance are very common. However, that’s also the best way to create family conflict. “You can prevent a lot of conflict by talking to each other,” affirms Sophie Ducharme, Vice-President, Trust and Advisory Services at National Bank Private Banking 1859. “Even if you and your partner are young, you don’t want to learn that your spouse has a lot of debt, bad credit or is unable to borrow at the very moment when you’re about to buy a house and move in together.”

Couples where only one partner takes care of all the finances should also exercise caution. You can encounter some nasty surprises later when you get a look at your shared budget.

5. Prioritize your children’s financial education

“You need to talk to your children about money,” explains Sophie Ducharme. “That way you can introduce them to taking responsibility while they’re young through their own personal finances.” Daniel Laverdière takes this idea even further: “When children reach the age of 18, you can put a bit of money in their TFSA. It’s a good way of helping them build capital, even if they have a job. That child will start receiving their first investment statements, meeting with an advisor, thinking about their investor profile… So when they become financially autonomous, once they’re 25 or 26 or have finished university, they already have a few years of experience with personal finance.”

6. Keep your goals in sight

For many parents, the last 10 or 15 years before retirement can be a particularly perilous financial transition. They are often caught between the needs of their children, who are not yet independent, and the needs of their own parents, who are in their final years.

It may happen that you are forced to slow down your pace of life, reduce your outings to restaurants, or even dip into your savings. But should all go well, your children will soon be flying out of the nest independently, the house will eventually be paid off, and you will likely reach the pinnacle of your career in terms of salary.

The start of your fifties is therefore a crucial turning point for ensuring the sustainability of your wealth. It’s crucial because there is still time to make adjustments. But to do so, you need to have a good understanding of the state of your finances, your retirement revenue and your will.

7. Plan your legacy carefully

When it comes to inheritance, the dilemma is knowing when to transfer your wealth: progressively, while you are still alive, or in a single block after your death. Many donors choose the latter option in order to take advantage of the roll-over of their RRSP to their surviving spouse, which allows for a reduction in the taxes to be paid upon inheritance. This is why excellent succession planning is so important.

However, Daniel Laverdière offers a warning. “When you choose to leave everything upon your death, that means, in reality, that your wealth will be transferred after a second death, that of your surviving spouse… According to the statistics, this second death usually happens at 90 or 95 years of age. So if you had your children when you were 30, they will receive their inheritance when they’re 60 or 65, when they are retired. That will be a little late to provide any help. It’s when families are young that they need the most help. That’s why many people prefer to pass on a portion of their wealth while they are alive.”

“But before you start giving,” reminds Sophie Ducharme, “you need to ensure that you have enough money to support your own needs. You shouldn’t put your own financial health in jeopardy.”

8. Meet with an advisor

It’s the necessity of weighing all aspects of the question that is, at the end of the day, the reason having an advisor is important. An advisor can provide you with personalized recommendations to help you manage your money in a way that is in line with your goals. By constructing a sound saving and investment strategy, they can help you maximize your wealth and materialize your future plans.

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