

# TD Wealth Private Banking Newsletter

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## To our clients

For many, the return of autumn means a return to business. Canadians are no strangers to weather changes, nor to the unexpected surprises that can come with any type of transition. We always keep our umbrella and boots handy, so to speak, and in the business world, being prepared is essential.

In this edition of our newsletter, we discuss the various ways business and financial decisions can be impacted by our personal lives and circumstances. In most cases, planning becomes key. After all, it's only through a holistic appraisal of your life, both personal and professional, that the best path forward may be identified.

We strive to bring you the knowledge, experience and good sense you need to help make smart decisions — rain or shine. If you have any questions, please feel free to reach out.

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**TD Wealth**



# How a family trust can benefit a family business

**Passing the family business to the next generation comes with unique challenges. A family trust could help you manage the tax process as well as to set long-term objectives and controls.**

Zofia De Oliveira, Senior Private Banker, Private Banking, TD Wealth, says the issue of succession is a milestone every family business will face at some point, and it requires some strategic planning.

“Many business owners are grappling with the same complexities. How can you ensure some sort of continued control and future prosperity for your business?”

Establishing a family trust could be the path forward. A family trust is a legal arrangement that allows assets to be managed by a trustee on behalf of, and for the benefit of, the beneficiaries. When properly structured, a trust can offer a form of confidentiality and creditor protection. It can also support certain tax planning strategies. Not only can it permit some degree of control over the future management of a business, but the family can receive greater flexibility when it comes to tax management.

Here's a closer look at two of the key benefits:

## **Allow current business owners to set long-term objectives and controls**

A trust agreement sets out the objectives of the trust and the scope of the trustee's power: In this way, the business owner who establishes the trust can cement guidelines that will provide ongoing direction for the management of the assets.

While the business owner has a high degree of influence over the preparation of the trust, once the assets are transferred to that trust, the owner surrenders ownership of those assets.



As such, it's imperative that the owner ensure the trust's documented objectives are in line with their business goals.

## **Provide flexibility around tax planning**

When a business owner passes away, their assets will be subject to significant capital gains taxes, which could negatively impact what is left to their beneficiaries. Transferring assets to a family trust can help manage future capital gains, while providing some control over when and how that tax is paid.

Transferring **assets** to a family trust can help manage future **capital gains**.

While establishing a family trust can result in families having to pay capital gains tax sooner — where available, the lifetime capital gains exemption (LCGE) can reduce or eliminate these taxable gains. What's more, the LCGE can be multiplied further by each trust beneficiary, should the shares be sold in the future and certain criteria met.

Ultimately, De Oliveira recommends Canadians seek both tax and legal advice when setting up a trust, and consult a financial advisor to help ensure their family's personal and business goals are preserved during the transition. While a family trust has many benefits, De Oliveira says families should also consider the costs, time and responsibility required to maintain one.

“Restructuring ownership can take time,” she says. “Families will often have meetings over a boardroom table and then everyone goes home and has another meeting over the kitchen table. Often, they come back with different concerns, which can take a while to settle.”

If you're interested in learning more about family trusts, don't wait to get started. Speak to your private banker.



# What's your mortgage strategy?

## 3 things to consider when renewing for high-end properties

Are you set to renew your mortgage soon? Between early 2025 and the end of 2026, the Bank of Canada estimates 60% of all mortgages — homes, cottages and income properties — will be up for renewal.

Normally a routine exercise, renewing can become more stressful when rates shift significantly. Should you choose a variable-rate mortgage in the hope rates fall, or lock in a fixed rate for certainty? And if your payments rise, how will your budget be affected?

The answers can have a big impact — especially with larger loans. “If your mortgage is small, and you don't like the stress of a variable rate, it may not be a huge difference in terms of monthly payments between a fixed and a variable,” says Kristi St Jean, Senior Private Banker, Private Banking, TD Wealth. “But there's a big difference if you're renewing a \$2-million mortgage.”

Here are a few things to consider:

### 1. Set your mortgage strategy

In a changing-rate market, your outlook on interest rates will likely guide your choice. If you expect rates to rise, a fixed rate may offer security. If you believe rates could fall, a variable mortgage could save you money.

It's also worth considering the term length — a shorter term means more flexibility to adjust your plans over the years, while a longer term means you're locked into your decision, regardless of what happens to interest rates. “A variable mortgage can offer flexibility in a changing environment, especially if interest rates are expected to fall, and you're comfortable with a little risk,” says St Jean. “Plus, if you see signs that rates could rise, you have the option to switch to a fixed-rate mortgage.”

### 2. Consider payment affordability

Five years ago, mortgage rates below 2% could be had. Today, they're in the high 3% to low 4% range.

“With a 2% increase, a client could see a potential payment increase of 24% or greater,” says St Jean.

“For some clients who have rental properties facing renewals, the rents may not cover the mortgage payments.”

Extending your amortization to a maximum of 30 years may lower payments, but it increases total interest paid.

### 3. Weigh investing versus early repayment

Some homeowners may wonder if it's best to pay down their mortgage faster at higher rates. St Jean says it's worth comparing returns. “Even with today's higher rates, it could be to your advantage to stick to your repayment schedule. Think about whether you could invest any additional funds and earn a higher rate of return.”

Ultimately, consider the option that fits your financial picture and comfort with debt. And remember — you'll have another chance to adjust at your next renewal.

## FINANCIAL FACT

Travel in Canada **\$13.8 billion**

The amount Canadians spent on domestic travel from January to March 2025, up 4.4% year-over-year. In a time of economic uncertainty, Canadians appear to be prioritizing domestic experiences and travel.

Source: Statistics Canada



# Let's talk money: A practical guide for families

## From timing and tone to setting the stage — here's how to make money conversations a little less awkward.

Open and honest conversations about money between family members can be tough and even cause division if you're not careful. However, Elana Sures, Clinical Director of Open Space Counselling in Vancouver, B.C., says taking steps to make these conversations thoughtful and open can actually make a positive impact on your finances and enhance your personal relationships as well.

Interestingly, a recent survey by the Canadian Scholarship Trust Foundation says younger Canadians find it easier to talk openly about money issues than older generations.<sup>1</sup> Here are a few ideas on how to make it work, no matter who's involved.

## Schedule a time for everyone to share their thoughts

Sures suggests getting something into the calendar instead of springing a discussion on your unsuspecting relations. Let your family know what you want to talk about, whether it's the cottage or who will pay for elder care. It's also important to let each participant fully express themselves. Productive conversations involve an open exchange of ideas. Instead of one party dominating the conversation, everyone should be given a chance.

## Accept different values and learn to compromise

When families discuss key financial issues, practical solutions and steps need to be agreed upon before progress can be made. Rather than making assertions, try to share your personal challenges and constraints in the hope of reaching a happy middle.

"Older generations often have a reaction to younger ones demonstrating any sort of entitlement because they themselves worked so hard," says Sures. "But from their kids' point of view, their parents had an entirely different, and less challenging, reality."

Sures adds that honesty is the best policy when it comes to your financial limitations: Letting an adult child know how much your monetary support impacts your retirement, for example, could help temper expectations.

## Boost your financial literacy

To help ground these conversations, Sures says everyone should have some understanding of financial basics. Different or incorrect interpretations of financial or tax rules could spell trouble.

"There are therapists who specialize in mediation between adult family members," Sures explains. A wealth advisor is another good resource, particularly because much of the time, that person will already be familiar with your finances.

Ultimately, Sures says families should focus on maintaining healthy relationships when they talk money. "Although we may need to make important or difficult financial decisions on occasion, we need to preserve the well-being of the family along the way."

<sup>1</sup> Jonathan Got, "Most Canadians find discussing finances with immediate family challenging," *Investment Executive*, February 14, 2025.

## DID YOU KNOW?

# Your good works could generate tax receipts for friends or family

If a friend or family member donates \$1,000 or more to your charitable Private Giving Foundation (PGF) account, they will receive a charitable giving tax receipt.

So, how does it work? Let's say you're celebrating a milestone birthday. In lieu of gifts, you might ask your guests to donate to a cause close to your heart, via your PGF account. And if an individual gift exceeds \$1,000, that contributor will receive a tax receipt.

The PGF provides a simple and tax-effective way to support the causes that matter most to you, without the administrative and legal responsibilities of establishing your own foundation. The PGF facilitates your philanthropic efforts as well as provides tax benefits.

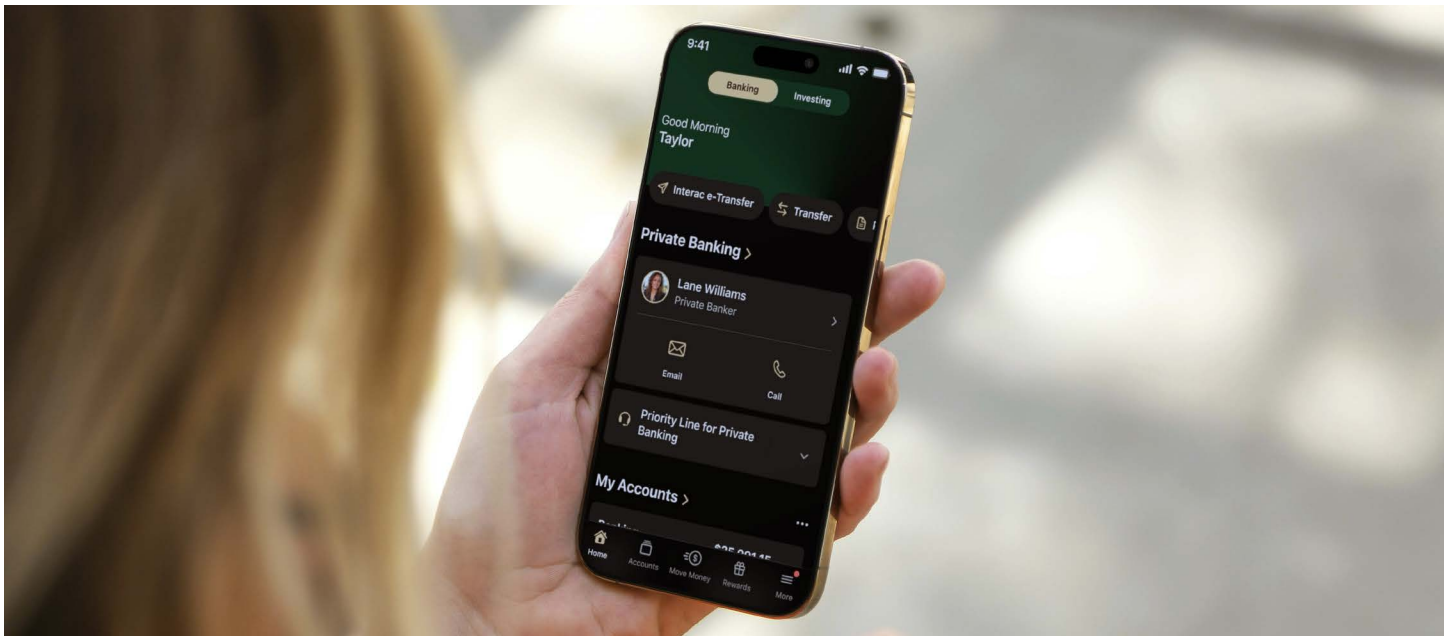
The Private Giving Foundation is an independent charity that helps families create a legacy of giving, uniting family members around shared values to make even more of an impact.

# Coming soon: A new TD Wealth Private Banking In-App experience!

At TD, we're committed to providing you with convenient banking solutions to support your financial needs. The new TD Wealth Private Banking In-App will offer you a seamless banking experience and a convenient way to connect with the help you need day or night.

Among the new features, you'll have the ability to receive dedicated priority support for your banking and credit card needs 24 hours a day. You'll also be able to connect with your Private Banker via email or phone.

If you've enabled auto updates on your mobile device, the new experience will be available automatically. Otherwise, simply update the TD app through the Apple Store or Google Play, and then log into the app as you normally would. Should you prefer, your Private Banking relationship team would be happy to walk you through the new in-app experience personally at a time that works best for you.



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