

# The Client Advisor



## Addressing Generational Needs *The Family Discussion*

By Bill Lockington



The modern family unit is often a co-mingling of interests, assets and generational traits. Shared cottages, parents and children working in the family business, second marriages with dual families and care giving and personal management to any elderly mother or father, are all situations in which the financial affairs of families become increasingly inter-twined and complex. Combined with generational differences in attitudes, expectations and values, you have a recipe for misunderstanding and emotional tension influencing otherwise normal family relationships.

As professional advisors, we counsel family members to be pro-active in ordering their affairs; ensuring wills and powers of attorney are prepared to clearly express one's intentions. This is a regular part of our advice. However, these well intentioned and essential steps often focus primarily on the more practical matters of minimizing taxes and preserving capital. As such, they

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are only part of a successful “family management plan”. Communication and dialogue between family members must support the formal planning.

Many families avoid discussing “business or financial” matters. Parents are understandably reluctant to divulge their personal affairs, coming from a generation which respected privacy. Adult children, on the other hand, frequently defer speaking about inheritances or transition issues for fear of being seen as presumptuous, impatient, or acquisitive. This can lead to a stand-off between generations, leaving intentions and financial assets unknown until an unforeseen death or personal incapacity compels disclosure; too late for proper understanding and appreciation.

The “family discussion” is essential to minimizing emotional and financial toll. The family cottage or family business are good examples. Parents may want the cottage to stay in the family forever, but if children are living at a distance, will their share be of value to them, or will they contribute to expenses? Do the children want to keep the cottage or share in other ways? The family business has particular succession issues, especially where the skills and participation interests of siblings may differ.

Contemplation of the future need for personal care and assistance in managing financial affairs is another “touchy” topic. Few people relish dealing with what will be a certainty in the human condition. Parents are reluctant to think they could be anything but forever independent and children refuse to acknowledge parents having needs. It is no surprise that family members, placed in the position of managing a parent’s estate or financial affairs, often know little about the extent or location, or source of their parent’s income and assets, not to mention their intentions and wishes.

Not all family members need the responsibility of helping with a parent’s affairs. Skills, geographical proximity, and sibling order may influence the decision as to who manages and is accountable. All family members however should participate in an active and continuing dialogue about the “family assets” and their management. This ensures continuing good relationships between siblings, eliminates uncertainty and promotes a sense of inclusion and contribution for all family members.

Parents can lead the family discussion by agreeing to discuss the particulars of their financial affairs with their children and perhaps grandchildren. Spouses and



partners can be part of the discussion unless there is a compelling reason to exclude them. Family advisors (lawyers, accountants and financial advisors) may be asked to attend as a resource, promoting discussion, providing a professional perspective and counselling when differences arise and solutions are needed.

Family planning requires good professional advice. Make it effective by willingly discussing options and arrangements before the need arises. This will facilitate an understanding of each family member’s expectations, and contribute to future family harmony.

