

Beyond succession planning: The rise of continuity planning



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Advisors are using new planning techniques to help clients keep money in the family.

Canada is in the midst of the largest intergenerational wealth transfer in its history, and some advisors say firms need to start offering more than just estate and succession planning to their clients.

According to Toronto-based research firm Strategic Insight, approximately \$1tn in personal wealth will be handed down from one generation of Canadians to the next between 2016 and 2026, with about 70% of that wealth coming in the form of financial assets.

While a succession plan may organize the transfer of those assets, independent family enterprise advisor and chartered accountant Emily Griffiths-Hamilton (pictured), says it's critical for families to have a continuity plan to prevent wealth from being lost down the line.

'When we're talking about continuity, we're talking about something surviving. It could be financial wealth within the family, or a family business,' she said. 'Working with accountants and lawyers, you can get a succession plan — but 70% of these plans fail in each generation.'



According to Griffiths-Hamilton, a 'failure' is defined as a family losing control of its financial assets through things like inattention, mismanagement, miscommunication, feuding, and foolish expenditures.

Research shows those factors are weighing on wealthy Canadians' minds. A 2018 poll by IPC Private Wealth (part of the Investment Planning Counsel) found 32% of Canadians with \$500,000 or more in investable assets are worried about how their heirs will handle their inheritance, and 58% said they hadn't discussed any instructions for their estate with their beneficiaries. Additionally, 36% said their heirs did not have the financial literacy to manage a potential windfall.

Beating that 70% failure rate comes down to a governance plan and a unified vision of how to steward that capital, according to Griffiths-Hamilton.

‘What continuity planning really comes down to is strengthening communication and trust, having family members playing on the same team, a shared mission, and then organizing their decision-making in a way that they agree to,’ she said. ‘People are going to have less conflict and less disruption if people have agreed to a clearly articulated process ahead of time.’

Ironshield Financial Planning CEO and fellow family enterprise advisor Scott Plaskett (pictured) offers continuity planning services to clients. He said he works with families to figure out what their shared vision, core values, and governance structure might look like — including which family members get decision-making power.



‘In continuity planning, generally, the next generation is split between two families. We’ve got bloodline family and married-in family. All of a sudden

you have to ask who gets a vote, and who gets a voice?’ he said. ‘Every family is different.’

To cut through any contention, Plaskett said he holds individual interviews with each member of the family, asking questions about their history, relationship with money, and values. He keeps their comments anonymous but uses them to find common themes within the family.

Plaskett noted that these conversations often emphasize the emotional toll finances can take on a family.

‘Those common themes start to form the glue that brings the family together. It brings out their uniqueness, and in many cases, reveals it in writing for the first time ever. There can be very emotional discussions,’ he said. ‘I would say in between 30% and 40% of the discussions that I have, people break down.’

Griffiths-Hamilton believes opening those sensitive lines of communication for clients through a continuity plan is critical. Without it, the fallout of future disagreements can go far beyond financial repercussions.

‘Communication is difficult, but families can create a conflict resolution plan for when there’s a difference of opinion. It can be planning the conversations you have in the boardroom, versus the conversations you have publicly,’ she said. ‘The real loss is to the family relationship and human capital in the family.’

Plaskett said he started offering continuity planning services once he realized that most of his clients wouldn’t spend most of their money in their own lifetime.

‘I recognized we were setting people up to create a legacy, but we weren’t preparing the next generation to receive that legacy,’ he said.

‘We have to start preparing that next generation. That’s multi-generational continuity planning. Getting the parents clear on what their vision is, how their governance works, and having their children included in family discussions about money so that they have an appreciation and awareness of it.’

Plaskett added that continuity planning isn’t something most clients are currently aware of, though he believes demand will soon increase.

‘The writing is on the wall. The first generation, who you’re helping create wealth, are worried about the continuity planning of their assets and making sure the next generation doesn’t screw it up,’ he said. ‘Incorporating some continuity planning — the tools, strategy, and education — into your own practice is going to set you apart from the majority. It’s going to become a very popular niche.’

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