The Sandwich Generation

The “Sandwich Generation” is best described as those dealing with the challenges of raising or supporting children and also the needs of aging parents; making this cohort the “meat” in a generational “sandwich”. Increasingly, families are becoming reconstituted with adult children moving back into the house at the same time as their grandparents. This phenomenon can introduce a variety of softer issues ranging from stresses about children being gainfully employed to parents getting the medical attention they need. This piece will deviate from our conventional and focus on the discussions more Canadians will need to have around finances and wealth. Over the last decade more and more of our time as trusted advisors has been spent working with wealthy clients to navigate financially-related family issues.

Talking about wealth with children can be a difficult thing. History and culture can get in the way, and family dynamics and a family business can add to the complexity. A critical first step for these discussions is to develop a base level of financial education and literacy for children, parents and grandparents alike. Understanding accounting, finance, and investing at the 101 level is a must, forming the cornerstone of any conversation you will have. There are several avenues for your children to develop a framework of this knowledge, whether through family discussions, a school course, personal finance guidebooks, or one of your advisors.

A trickier part of these discussion might be detailing to your children the extent of your wealth and having them embrace the news in your preferred fashion. There are many who do not think that they need to explain to their children how wealthy they are and what their plans are for their money and other assets. Others believe, a very important and private conversation must be had in order to let them know that they have a responsibility over this wealth. Our experience has been that having the conversation with your children about your wealth, as well as educating them about it is more often the better route. Beyond the conversation, we have seen clients inviting young adult children to quarterly investment meetings or creating investment accounts for them to work directly with our client Portfolio Managers.

On the other end of the spectrum are parents – your parents. Some parents have been good at keeping their children in the loop about their financial planning aimed at providing for them in their later years. Generationally, the pre-baby boomers are less inclined to be forthcoming about wealth and finances. This leaves it to the adult children to be the catalyst to reduce the risk of financial confusion, loss, and complexity.

Maybe a high level checklist of issues can serve as starting point:

- Are wills in place? Where are they?
- Where are your bank accounts? How many banks?
- Do you have insurance policies?
- Where are your investments held?
- Who are your advisors? Investment? Legal? Taxation?

This is simple stuff, but affairs can get very messy, tedious and expensive if not properly planned. The most common affliction is "multiplus diworsification", an ailment spurred by a proliferation of bank accounts and overlapping investments accumulated over the years. Conducting a "simplify and consolidate" exercise often serves to give family members clarity and confidence moving forward.

While not a perfect science, addressing the basic questions mentioned above should help in reducing potential headaches before they materialize. The topic is more relevant than ever before, given that we are in the midst of the biggest transfer of wealth in history, and many Canadians have foregone fortunes due to the ineffective transfer of intergenerational wealth. While there are aspects of tax maneuvering and corporate schemes to succession planning, it is much more about education, financial literacy and communication. At Guardian we may be investment, risk and wealth professionals, but we have helped countless clients make a tasty sandwich.