INVESTOR'S Edge

Wealth Management

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An exclusive newsletter from RBC Wealth Management

Inside this issue

A new era of wealth transfer

A recent wealth transfer survey conducted by RBC Wealth Management found that the key to a successful wealth transition to the next generation includes communication, heir preparedness and alignment of family values around the purpose of wealth.

The vast wealth that the baby boomer generation has amassed brings a new lens to the importance of planning ahead for the transfer of wealth for many American families. An estimated $124 trillion* is set to change hands to the next generation by 2048. This transition has already started, as the oldest baby boomers are nearly 80 years old. Boomers have accumulated this vast wealth due to real estate ownership and participation in robust equity markets over time. With more families tasked with planning for their family's legacy, RBC Wealth Management sought to explore the mindset of those who will be giving (givers) and those who will be receiving (receivers) an inheritance.

Continued on page 2

*The Cerulli report: high-net-worth and ultra-high-net-worth markets 2024

A new era of wealth transfer, continued from page 1

RBC Wealth Management recently surveyed 1,500 people with at least $1 million in investable assets, and this article will touch on some of the findings, stats and other aspects of transferring wealth.

Engage the next generation

An overwhelming majority of all generations agree it's important to talk about an inheritance with those who will receive it (89% boomers, 98% Gen X, 97% millennials). However, only 39% of givers have already provided direction to their beneficiaries. Additionally, only half of givers (51%) feel very prepared to leave an inheritance and only half of receivers (54%) feel very prepared to receive an inheritance.

The time to have the family inheritance talk is now, not when it's time for heirlooms and assets to be passed down.

Create a lasting legacy for your family

Address family legacy planning with a thoughtful approach, helping to teach the next generation about your wealth purpose and how you envision the wealth living on for generations.

Use this list of conversation starters

- What impact do you want your family legacy to have?
- What values do you hope to leave to future generations?
- How would you like to see this wealth impact your lives and the lives of your children?
- What is your ideal giving plan?

Incorporating a charitable giving strategy into an overall wealth plan can help develop a strong legacy for the entire family. Your financial advisor can guide you through the gifting and philanthropic solutions available to your family.

Many families appreciate doing the gifting while they are still alive, so they can witness the impact they are making. But it's an important legacy decision as well.

A few common gifting examples

- Gifting for your child's education and/or first house
- Starting a college fund for grandchildren
- Providing meaningful philanthropic gifts to an important cause

Research tells us that being generous and spending money on others makes us happier and brings purpose to our wealth. It also has the added benefit of showing the next generation generosity in action.

Leave a legacy of financial confidence, values and harmony

Family harmony is one of the most important aspects of leaving a legacy across all generations (54% boomers, 46% Gen X, 53% millennials); however, chaos, confusion and missteps could occur in the absence of wealth transfer conversations.

Survey key findings

Givers

- 94% of givers say their financial values are rooted in their family values, yet only 52% of givers have had conversations about their values with their intended beneficiaries
- 17% of givers say their heirs are very well informed
- 64% of financial advisors say their clients/givers fear their children are not prepared to inherit wealth
- 71% of givers who have had conversations about their values with their intended beneficiaries feel very prepared to leave an inheritance*

Continued on page 3

*The Cerulli report: high-net-worth and ultra-high-net-worth markets 2024

New Investors' Nook

What would an inheritance mean for you?

Many millennials and Gen Xers stand to inherit family wealth in the near future from their aging baby boomer parents.

An inheritance could represent a chance to rewrite your financial narrative or offer a sense of security and freedom.

What might an inheritance allow you to do?

Here are top results from a recent RBC Wealth Management survey asking that question of young adults:

- 90% – Focus on long-term financial goals
- 86% – Explore the world/travel
- 85% – Start thinking about their own legacy
- 80% – Spend more time with family

Regardless of your answer, planning and communication are key tips for any transfer of wealth.

Financial advisors are available to consult on wealth transfers and bring generations together to achieve common goals.

Source: RBC Wealth Management wealth transfer survey, 2024.

A new era of wealth transfer, continued from page 2

Receivers

- Most receivers say an inheritance would allow them to plan for their long-term financial goals (95% Gen X, 87% millennials)
- A majority of receivers say an inheritance would allow them to start thinking about their own legacy (89% Gen X, 82% millennials)
- Receivers also say an inheritance would allow them to spend more time with family (86% Gen X, 80% millennials)
- Overwhelmingly, receivers want to respect the wishes of those leaving them an inheritance (99%)
- Receivers agree they will treat the money they inherit differently than the money they earn (94%) and anticipate investing rather than spending their inheritance (93%)

To help achieve family harmony and bridge any gaps in understanding for givers and receivers, plan your conversations and seek support from your financial advisor.

Did you know that 64% of financial advisors say their clients are uncomfortable sharing financial information with their children*? This is where an RBC Wealth Management financial advisor can come in and bring the generations together.

Contact your financial advisor today to have a conversation about giving or receiving wealth.

*The Cerulli report: high-net-worth and ultra-high-net-worth markets 2024

Financial tips before saying "I do"

It pays to talk about money and your individual approach to finances with your partner before it can become an issue.

If your wedding is on the horizon, there's likely a lot on your mind—preparing a guest list, choosing a venue, selecting a caterer and more. These decisions can preoccupy or even consume, but essentially they will only affect a single day. In contrast, the financial choices you and your future spouse make will have a lasting impact on your entire married lives.

Below are some strategies for productive discussions about savings and finances—and here's to a long and happy marriage.

Discuss your values

Do you and your partner share a vision and goal for your shared life? Are you on the same page with your financial goals and priorities? It's common for one partner to want to spend money very conservatively (and save a lot), while the other prefers to spend more liberally—whether on luxuries or potentially risky investments in businesses or securities.

Start by writing your priorities down separately. Then compare your lists and discuss where your goals overlap and where there's room to compromise.

Continued on page 4

Raising financially savvy youth

Helping children grow into independent adults requires mastery of important life skills, such as cooking and time management. A vital skill often overlooked is money management.

It's important to teach financial skills to youth and, like learning other skills, the younger you start, the better. To help children with financial decision making that can lead to resiliency throughout their lives, provide them with education. The following list can help.

Seven focus areas to teach youth about finances

1. **Budgeting**

   Creating a weekly budget is a great exercise for kids of any age. Have your children divide a sheet of paper into two segments: money in and money out. For the money in segment, ask your kids to itemize their money sources (allowance, gifts, etc.). In the money out segment, have them itemize expenses into spending, saving and sharing. For younger kids, have them put their money into three separate piggybanks.

2. **Earning**

   When your children ask for money for an impulse purchase, encourage them to earn money to pay for it. By connecting the earning experience to satisfying a want, your children will begin to understand personal choice, goal setting and discipline.

3. **Saving**

   Encourage youth to become good savers. One proven technique is to open savings accounts for your children and match some portion of every dollar they save.

4. **Spending**

   For kids of all ages, spending is the fun part. Depending on

Continued on page 5

Financial tips before saying "I do," continued from page 3

Assess your individual financial situations

Not all married couples combine their finances. Whether you choose to combine or not, it's important to share any relevant info with each other. This includes:

- The amount you each have in savings and checking accounts, including 529 plans
- Any retirement accounts—401(k)s, IRAs (Roth or traditional), etc.
- Credit card debt and/or student loans

Communicate regularly

Consider monthly or semimonthly "money dates," in which the two of you discuss your finances. By staying informed, and avoiding secrets and surprises, you can proceed harmoniously toward your collective financial goals.

Be prepared for anything

Planning for the unexpected is an important step in your financial journey together. Protect loved ones by having adequate insurance coverage and creating appropriate legal documents, such as wills, living trusts or prenuptial agreements. If this is not your first marriage, it is important to revise any existing documents or arrangements before tying the knot again.

Your wedding day is a happy event for you and your spouse. By taking time to address your financial future now, you can make sure your new life together is on a solid foundation—and help ensure long-term happiness.

To learn more about financial strategies for couples, please reach out to your financial advisor.

Raising financially savvy youth, continued from page 4

your children's maturity level, you can allow them to choose how they spend their money. You can help them become smart spenders—instilling valuable lessons on personal choice and managing money.

5. Giving

To help children become responsible members of society, start them along that path by having them donate a portion of their savings. Discuss various options to help them determine which causes or charitable organizations to support.

6. Borrowing

If your child asks to borrow money, you may want to help them. Beforehand, explain the potential costs to borrow, as well as the importance of repaying debts in a timely manner and establish a reasonable repayment schedule. Teaching your children about borrowing only what they need and repaying loans as promised can help them avoid trouble later.

7. Investing

Tweens and teens will gain an interest in investing and develop a deeper understanding if you get them started with some stock of their own. Explain the basics like how to read stock market reports. Help them choose a company in which they are interested and buy a couple of shares to follow. Explain factors that can affect stock success, from product competitiveness to the quality of a company's management.

Financial education can help youth acquire healthy financial habits to enjoy a rewarding and prosperous life. Start your financial conversations today. Someday, your children will thank you.

Want more financial education information? Chat with your financial advisor.

Making a side hustle worth the hustle

Second jobs or personal businesses, often called side hustles, side gigs or side businesses, are a growing trend. While side gigs may be secondary to your primary employment, many factors go into making them successful.

If you're interested in making extra money outside of your full-time career, you're not alone. Whether taking surveys online for cash, investing in an Airbnb or having a full-blown second job, a recent survey by Insuranks, a small-business insurance marketplace, from this currently published RBC website Insights article, says that 93% of Americans have some type of side hustle.

Motivation for starting a side hustle could vary, ranging from simply having extra time on your hands to wanting to focus more on a passion or hobby. Or it could be to save for a specific goal, like retirement. According to a survey of high-net-worth and high-earning millennials by RBC Wealth Management, more than half (55%) of respondents said they plan to start a side business so they can retire before age 65 or build wealth to create passive income.

But when you already have a full-time job and other demands on your time, it's important to make careful decisions when it comes to anything that might impact your financial future.

What are your goals?

As mentioned, there are many reasons why you might be looking to start a side hustle, and your goals will determine what kind of side gig you want to take on. For example, the goal of making money to save for a specific need, such as a house, might require different considerations than if you're looking at establishing a creative portfolio or creating a stepping stone to a full-time business. Keeping your specific goals in mind can be a useful motivator if you experience any challenges or difficulties related to balancing your side gig with your full-time career.

You don't have to plan alone. Your financial advisor can assist you along your journey.

Contact your financial advisor today to start a conversation on how a side gig could help you reach your goals.