Giving wisely to adult children in Canada: a structural and tax guide to intergenerational wealth



For parents managing intergenerational wealth planning, the hard part is rarely the decision to help their adult children with a gift or other assets. It's everything that comes after.

Once families have worked through the broader questions around support, fairness and long-term priorities, the focus shifts to execution.

Key takeaways

- **Canada has no gift tax, but how to structure your gift still matters.** A cash transfer to an adult child creates no tax for either party. What triggers tax is what you give, not the act of giving. Getting the structure right protects both the giver and the recipient.
- **A gift, a loan, and a co-ownership arrangement are not interchangeable.** Each carries different legal, tax, and family-law consequences. The right choice depends on the amount, the relationship, and how much protection the parent needs to build in.
- **Only give from funds you will never need.** A gift should come from capital you are certain won't be required for your own retirement, care, or lifestyle. A CIBC Private Wealth advisor can help you model exactly where that line sits.

Should support be structured as a gift or a loan? What happens when appreciated assets are transferred instead of cash? How can parents protect what they give while still preserving flexibility and control?

This is often when wealth transfer becomes more complicated, not because families lack generosity, but because the tax, legal and planning considerations can quickly become overwhelming.

At this stage, families often benefit from experienced guidance on how to structure support in a way that aligns with their financial priorities. Common planning questions centre around structuring a gift in a way that protects what's been given or ensuring the transfer doesn't compromise the parents' own financial picture. Getting the details right matters: a poorly structured transfer may create unnecessary tax exposure or, in some cases, complicate the family relationships the gift was meant to strengthen.

"Once families are ready to act, the conversation shifts from what they want to do to how they're going to do it, and that's where we can add the most value," says Jamie Golombek, Managing Director, Tax and Estate Planning at CIBC Private Wealth. "But it starts with clearing up the misconception around gift tax that many Canadians carry into the room."

Many Canadians also assume there is an inheritance tax in Canada. In reality, Canada does not levy a direct inheritance tax the way some other countries do. Instead, taxes often arise through deemed disposition rules at death, where certain assets are treated as sold for tax purposes.

Is there a gift tax in Canada for adult children?

A common concern among families is whether a significant cash transfer to an adult child will trigger a gift tax, which in some countries is imposed when money or assets are gifted to another person. This is primarily a U.S. concept. Canada has no gift tax.

"If you gift your adult child a significant amount in cash, that gift is always tax-free," says Golombek. "It's not reported by them or by you. It doesn't show up on anyone's tax return."

According to CIBC's Gifting Poll, more than half of Canadians admit they don't know what taxes apply to a financial gift for a family member. Only about one-third correctly identified that there are none.[1] A cash gift does not have tax implications, since it's not considered income.

However, in Canada, transferring appreciated assets such as securities, cottages or investment real estate to an adult child can trigger a deemed disposition, meaning the parent is treated as having sold the asset at fair market value on the day of transfer. Any capital gain is realized and taxed in the parent's hands. The beneficiary's new adjusted cost base is reset to the fair market value on the date the gift is made. In practical terms, a cash gift and a gift of appreciated securities may look identical on paper but have very different tax consequences to the giftor, since a gift of appreciated securities results in a taxable gain.

Similarly, an RRSP or RRIF withdrawal used to fund a gift is taxed at the parent's full marginal rate. A TFSA withdrawal is tax-free, and the contribution room is restored the following January. A CIBC Private Wealth advisor can help identify the most tax-efficient source of funds before a transfer is made.

Another related misconception worth addressing: many Canadians assume beneficiaries will receive a Canada Revenue Agency inheritance tax bill when wealth is passed down. In most cases, beneficiaries in Canada do not pay inheritance tax. Taxes are generally levied on the deemed disposition rules that apply at death with the liability to the estate.

Tax-efficient ways to transfer wealth in Canada

Beyond cash, several registered accounts in Canada allow parents to assist their kids with tax-advantaged support in ways that compound the benefit over time. An eligible adult child can contribute up to $8,000 per year to a First Home Savings Account. Parents can fund that contribution indirectly, giving the child the cash to make the contribution, and then claim a tax deduction with the potential for tax-free growth on top.

Annual TFSA contributions funded each January build a tax-sheltered portfolio from an early age. RRSP contributions are another avenue to assist adult children with earned income. And lending a helping hand further down the generations, the same applies to RESP contributions toward a grandchild's education.

Gift, loan or co-ownership: choosing the right wealth transfer structure

When families in Canada are ready to transfer a meaningful amount, they face a structural choice. Each option carries different implications for tax, family law and the parents' ability to protect what they've given.

Cash gifts: straightforward, but irrevocable

A cash gift is the most straightforward approach and, according to Golombek, the one used in the vast majority of cases. But it is irrevocable. Once given, it cannot be expected back. Parents need to consider the retirement income that capital may have been generating. A $500,000 gift previously producing steady dividend income means that income disappears from the retirement plan the day the transfer is made. It's important to model the impact of the gift on retirement plans, which a CIBC Private Wealth advisor can help with before any transfer takes place.

Registered mortgage/loan: when protection matters

A loan structured as a registered mortgage on a child's property can be an effective option when the amount is significant and the parents want protection against future risks, such as marital breakdown, a difficult partner, or other unexpected circumstances. The parents lend the money, register a mortgage on the property and can forgive the loan later, or upon death, if preferred.

"An unsecured loan offers very little real protection," Golombek cautions. "If a child's relationship breaks down or circumstances change, a piece of paper with no security behind it is very difficult to act on, and most parents have no intention of pursuing their own child through the courts."

Co-ownership: understanding the trade-offs

For parents with the means to consider it, co-ownership of a property can seem like an elegant solution. In practice, it rarely is. The tax complications and family-law exposure tend to outweigh the benefits, and for high-net-worth families, the stakes of getting it wrong are high.

Less obvious but often underestimated: covering direct costs such as tuition, housing and childcare can provide meaningful support without any tax consequence. For high-net-worth families managing significant liquidity, these expenditures deserve more attention than they typically receive.

Prescribed rate loans, family trusts; when do they make sense?

For families with more complex objectives, including income splitting, staged distributions or giving tied to specific milestones, prescribed rate loans and family trusts offer additional options. These tools can help shift investment income to lower-taxed family members, structure distributions over time or link wealth transfer to specific milestones. They're not for every family and come with setup costs, annual maintenance and a degree of complexity. These strategies tend to make the most sense once assets reach a level where the tax savings justify the effort. But for families where that threshold is met, they can offer meaningful flexibility.

What is a prescribed rate loan: shifting income, not capital

A prescribed rate loan can help families address a common planning challenge: moving investment income to a lower-taxed family member without giving the capital away. For instance, a parent can lend capital to an adult child or a family trust at the current prescribed rate of 3%; anything earned above that rate is taxable in the beneficiary's hands rather than the parent's. The principal stays with the parent as a receivable, and the 3% interest comes back each year.

What is a family trust: giving on your terms

A family trust allows families to be more intentional about how wealth is shared. "You can structure a trust so that wealth is distributed on your terms," Golombek says. Common applications include income splitting via a prescribed rate loan to the trust, staged distributions tied to age or life milestones, and asset protection where dependency or capacity concerns are factors. Matching incentive trusts — which tie distributions to what a beneficiary earns on their own — is another approach that can help ensure children stay motivated to build their own financial independence. A CIBC Private Wealth advisor can help families evaluate which structure, if any, fits their situation and goals.

Why documenting a financial gift to your child matters

Documentation is rarely the first thing parents think about when thinking about giving. In a family-law context, it is often the most important.

Cash gifts are not legally required to be documented in Canada, but for material transfers, a deed of gift is strongly recommended. It is a simple, inexpensive document that confirms the transfer was a gift and not a loan. In the event of a child's marital breakdown, it can help establish that the funds existed before the marriage and were not subject to equalization. For parents giving significant amounts to children in relationships where circumstances are uncertain, it is a step worth taking.

Knowing what you want to give is only part of the work. A parent who knows what they want to do still needs a plan that holds up to tax scrutiny, family law exposure, and the many unexpected events that can crop up. That is precisely what a comprehensive wealth plan is built to do.

Done well, the complexity fades into the background, and what remains is the legacy you intended all along. A CIBC Private Wealth advisor can help you work through the structure, the timing and the details — so that what you give lands as it should.

If any of these themes feel relevant to your family or planning conversations, I'd be happy to discuss them further with you.

[1] CIBC Gifting Poll, conducted July 2017.

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