



Estate planning 101

If you're like most people, getting your personal financial plan started can be a challenge. And what about planning your estate? Well, that subject might really make you shudder. But why? Too dreary? Too complicated? Too intimidating? Or, simply not on your list of priorities?

Estate planning should be a financial priority at almost any stage of life. In fact, an estate plan can be essential for organizing your financial affairs and providing for the well being of your family members.

Simply put, an estate plan is a road map for planning your estate and should be updated on an ongoing basis - particularly as your circumstances change throughout your life. Why is it important to have a plan? To ensure a simple, tax-efficient and organized transfer of your assets to loved ones.

When you start your plan, there's a lot to think about. You want to live your life to the fullest, and ensure that your heirs will get the most out of the assets you're setting aside for them. Here are a few of the things you'll need to know:

YOUR WILL

The will is a legally enforceable declaration of how a person wishes his/her property to be distributed after death. A will can be quick and easy to produce and will generally cover the following:

- Naming the executor – the individual(s) or organization chosen to administer the estate. If you should die without a will (referred to as dying intestate), the province you reside in will step in to administer your estate. In this case, you've essentially forfeited your say on how things are divided and who will be in charge of the process.
- Naming beneficiaries of the estate (e.g. immediate or extended family, institutions, etc.)
- The distribution of assets within the estate (e.g. investments, real estate, possessions)





WHAT IS PROBATE?*

Probate is the process by which a provincial court confirms the validity of your will. Potentially, it can be quite time consuming, tying up your assets for months or longer.

Probate fees are essentially the taxes that must be paid to the provincial government before your executor can begin to administer your will. The fees vary from province to province and are based on the value of the assets in your estate. In most provinces, the fee structure is tiered.

In addition to probate fees, there are fees payable to the executor for administration services and fees payable for legal and accounting services. In the end, the cost of probate can be significant.

REDUCING TAXES

We all know the old cliché that the only two certainties in life are death and taxes, but how much do we really know about taxes after death?

If you have a will, upon your death it is your executor's responsibility to file a tax return for you. The government will consider you to have sold all your assets immediately before your death and any capital gains/losses will be crystallized. That may lead to a big tax bill.

Depending on your individual needs, there are strategies you can employ within your estate plan to minimize the

amount of taxes you have to pay and to avoid probate. Below are a few key examples:

- Maximize asset "roll-overs" - transfers to your spouse that defer capital gains
- Get advice on setting up a trust to ensure your beneficiaries are well looked after
- Give gifts of cash or possessions while you are still alive
- Consider charitable donations to create valuable tax benefits
- Buy life insurance that is paid out to a named beneficiary on a tax-free basis
- Restructure investments with insurance companies to avoid probate on death

The reassurance of having a strategy in place to preserve the value of your estate for loved ones is something to value. After all, why pay if you don't have to? Work with your financial advisor to determine what exactly is in your estate, and then devise your plan.

Compliments of:

*Probate is not applicable in Quebec.