

## [The Money Management Newsletter: Taxes and Estate Matters](#)

What you need to know about Estate Planning and More...

Introduction

Compiled by David Newman

Money Management Newsletter, August 2005

If there ever was a subject that people avoid its planning for your own demise... As with the title of the first article, Death and taxes - two certainties of life, as the word procrastination needs to be added to that phrase. We've assembled the following list of standalone articles that address different aspects of the estate planning and awareness process. Added to each topic are links into the FiscalAgents.com site for related articles, worksheets and financial tools.

1. Death and taxes - two certainties of life
2. Your life - your estate planning goals
3. How to save money when you visit a lawyer to make your will
4. Reduce taxes and increase inheritances to your loved ones
5. The financial aspects of your estate plan
6. Where should I put my will?
7. Signing and witnessing your will
8. Your will - a personal reflection of your life
9. Why You Need an Estate Plan - 10 Simple steps
10. Estate planning - Financial Glossary

**Editors Notes:** These articles are only covering some of the areas that need examination when drawing up an estate plan. If you do not have a Will, or if your Will has not been updated recently, perhaps it is time to meet with a lawyer and get the job done. Special thanks to (NC) and Ontario March of Dimes

**Getting Advice:** We believe that a "Will" requires careful planning to ensure all essential matters are covered. It should also be reviewed periodically and discussed with a qualified adviser or team of advisers to incorporate any changes in your personal circumstances.

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Part 2: Your life - your estate planning goals

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Your estate planning goals will depend on a number of factors, including:

1. Your age
2. The ages of your family members and other beneficiaries
3. The needs of your beneficiaries
4. The current value of your estate
5. Your beneficiaries' ability to handle their own financial affairs
6. Your tax situation

Prioritizing your goals before you meet with your professional advisor will help ensure your estate plan will reflect your objectives and wishes. Every situation is unique. Most people have estate-planning goals that can be broken down into things they want to "achieve" and things they want to "avoid". Some common goals are listed below:

### Achieve:

1. Maximize estate proceeds for heirs
2. Distribute assets in accordance with wishes
3. Provide for loved ones
4. Ensure adequate liquidity in estate to pay taxes and any liabilities
5. Ensure guardian for minor children

### Avoid:

1. Needless taxation
2. Family strife
3. Delays in settling the estate
4. Costly legal challenges
5. Probate fees charged by provincial courts
6. Loss of control of family assets, such as a cottage property, farm or family business

You should list and prioritize your goals before meeting with your professional advisor. This will help ensure your estate plan and will reflect your wishes.

### **Fiscalagents.com Site-links:**

[Why You Need an Estate Plan - 10 Simple steps](#): This article was created to give you an outline of what you need to do to make your estate plan complete. You will need advisers, including a financial adviser, lawyer and possibly a tax professional to apply the most current tax, trust, estate and family laws of your province to your personal situation. Our comprehensive estate planning checklist and recommended reading list will help to expand your knowledge. Above all, we hope this article inspires you and gives you the confidence to deal with the challenges associated with handling estate matters.

[Principle 10: Estate Planning, Retirement](#): This article is from the downloadable booklet "10 Principles of Being Rich", the chapter deals with the end of accumulation mode; capital preservation; tax planning and capital gains; business succession; selling real estate; wills and charitable gifting



Part 2 of 8



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What you need to know about Estate Planning and More...

Part 3: How to save money when you visit a lawyer to make your will

Compiled by David Newman

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A Will does not need to be complicated; it is always advisable to contact a lawyer or notary. Ensuring that there are no small mistakes which could cause difficulties in future years, plus the peace of mind that comes from knowing everything was done correctly, is well worth the cost of such legal service. And the cost is far less than people imagine.

Can I write my own will without consulting a lawyer?

You can, but it's not usually advisable. Homemade wills are generally valid if certain minimum requirements are met, at least in some provinces. But there is no substitute for the professional expertise of a competent lawyer or notary.

Laws about will-making and taxes can vary from province to province. The specific wording needed to ensure your wishes are met is important to keep in mind. A small mistake in a home-made will might cause complications to your estate and result in your wishes not being carried out. And remember, a simple will need not be expensive.

What is an Estate?

Everyone has an estate, if they own anything at all. The term applies not just to real estate, but cash, cars, furniture, books...any property at all.

The smaller your estate, the more important that it be settled quickly: delays usually mean more expense. Besides, your estate may be larger than you realize. Don't make the mistake of thinking of your property in terms of what it cost originally. In many cases, its value may have increased.

How much does it cost to have a lawyer draw up my will?

That depends on how simple or complicated the will is. But wills are usually much less costly than people expect, and definitely less than the emotional and financial costs of not having one.

Ask the lawyer in advance what it will cost. It's a question which they answer routinely.

What can I do to reduce legal fees?

Here are some of the things you can do to save money when you visit a lawyer:

1. Lawyers charge for their time and knowledge, often by the ¼ hour. So, the more time you can save them, the lower the cost will be. Jot down and take along with you all the basic information that will be needed, so you can avoid spending extra time in the lawyer's office.
2. Make a list of all your property including life insurance, real estate, bonds, savings accounts, jewellery, RRSPs, family heirlooms and works of art-everything.
3. List the people you want to provide for, along with their addresses and their relationship to you.
4. Name the executor and alternate executor. (The executor is the person you name in your will to carry out your wishes, settle your debts and distribute your property according to the terms of your will.) Suggest a guardian and an alternate guardian for your minor children.
5. Think about the bequests you would like to make to your favourite non-profit organization, church group or health charity.

### **Fiscalagents.com Site-links:**

[Structuring an effective will](#): You work hard all your life to provide for the future and those you care about. Why leave it to chance when you die?

[Estate planning: Getting started - before it's too late!](#): Planning for the future is never an easy task and this is especially true when tackling the issue of estate planning. When we think about planning for our estates, many of us often get discouraged or end up putting off the task for longer than we should. In this case however, it pays to remember that we are just putting off the inevitable.



Part 3 of 8



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Part 4: Reduce taxes and increase inheritances to your loved ones

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Many people support charitable organizations through gifts from their estates. There are many benefits to giving to charities through your Will. A charitable bequest in your Will reduces the taxes owing upon death thereby increasing the inheritances to your loved ones. A your Will allows you to make a significant donation upon your death that you may not have been able to make during your lifetime.

- **Convenient** - A charitable bequest can be made no matter how old you are and can be for any amount you want!
- **Simple** - A bequest is easy to arrange. Simply ask your lawyer to include a bequest to your charity of choice in your Will.
- **Flexible** - Your bequest can be a specific amount, a percentage of your estate or the residue of your estate - that is a gift after your debts have been paid and other bequests made.
- **Cost Effective** - There are no extra out-of-pocket costs.
- **Tax Relief** - A bequest is an effective method to reduce estate taxes.
- **Tax Planning** - The charity will issue a tax receipt for the full value of your bequest. This receipt will be used to reduce the tax payable on your final tax return. If your bequest exceeds 100% of your net income, the excess may be carried back to the previous tax year.
- **Control** - You retain the use of the charitable gift for the duration of your lifetime.
- **Peace of Mind** - You can make changes in your Will at any time.
- **Memorialize** - Your bequest can symbolize a lasting memorial for you, your family or anyone you may wish to honour.

### **Fiscalagents.com Site-links:**

[Life Insurance Protection Worksheet - How much is enough?](#): This three-part worksheet will help you figure out how much Life insurance will be needed at death.

[Life & Disability Insurance](#) - One of the most common mistakes made about life insurance is forgetting that you are the biggest and most valuable asset. Your capacity to earn a living and provide for your family is difficult to replace. Life insurance and disability coverage simply protects your dependents

against the financial hardship that your death or disability would bring.

[Charitable giving through insurance: Making that special gift](#): Are you thinking of making a sizeable donation to a charity when you leave this world? Life insurance is a versatile planning technique that can deliver extra benefits, now or later.



Part 4 of 8



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Part 5: The financial aspects of your estate plan

Compiled by David Newman

Money Management Newsletter, August 2005

Anyone who has ever been the Executor of someone's estate knows how time-consuming it can be to locate important documents, certificates, lists of advisors and other items. It is in the best interest of your family that your Executor be able to act quickly to protect and safeguard your assets. To assist your Executor with this task, a comprehensive estate plan should include a complete record of your financial affairs.

How Do I Begin?

List your assets and liabilities. Your **ASSETS** include:

- **Real estate** - land, house(s), cottage(s) and condominium(s).
- **Personal effects** - furnishings, clothing, antiques, jewellery, cars, fine art, etc.
- **Investments** - cash, bank accounts, securities, mutual funds, Canada Savings Bonds, GICs, partnerships
- **Other Property** - life insurance policies, joint annuities, RRSPs, RRIFs and pensions
- **Joint Property** - Life insurance, jointly held property, and survivor benefits of pension and other retirement plans will pass by contract or operation of law upon your death. Review your jointly held property and update the beneficiaries named in your insurance policies and retirement plans. It is important to list how your various assets are registered (i.e., sole ownership, joint tenants or tenants-in-common) and also list the beneficiaries of your life insurance policies and retirement plans, etc. There are two ways of owning property with one or more persons. One is as "joint tenants;" the other is as "tenants-in-common." The distinction between the two becomes very important at death. In the case of joint tenants, the deceased's interest automatically goes to the survivor without forming part of their estate. In the case of tenants-in-common, the deceased's interest in the property forms part of their estate and is passed on to his or her beneficiaries. This applies not only to real estate but also to bank accounts, GICs, investment portfolios, etc. Registering property as "joint tenants" is a useful way of avoiding the estate process, as the property automatically goes to the survivor. This helps reduce probate fees and estate administration costs.

Your **LIABILITIES** include: Mortgages, loans, credit cards, investment-related debts and other personal obligations.

To determine the value of your estate, subtract your liabilities (what you owe) from your assets (what you own). Remember that not all of your property passes under your Will.

By having all this information available, your Executor will be better able to fulfill his or her duties and manage your affairs. If you do not have a Will, or if your Will has not been updated recently, perhaps it is time to meet with a lawyer and get the job done.

### **Fiscalagents.com Site-links:**

[Being an executor - What are your responsibilities and obligations?](#): Being named as an executor of an estate is a big undertaking requiring a considerable amount of time and knowledge. You have been entrusted to handle the financial affairs of the deceased in their absence and owe it to them to make sure you know what is required of you.

[The Cornerstone ® Household Directory of Documents](#): Have you ever taken the time to think about the sheer volume of information you are required to remember? From bank account numbers to dates of special occasions to insurance policy numbers, we take it for granted that this information is there, ready to be easily recalled whenever needed.

Who will your family turn to when you die? It's a little known fact: that for some, the third most expensive purchase most Canadians will make, after their houses and their cars, is their funeral.



Part 5 of 8



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What you need to know about Estate Planning and More...

### Part 6: Keep my Will in a Safety Deposit Box?

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That's a common solution. However, in some provinces safety deposit boxes are sealed at death, pending certain formalities, and the Will is not immediately available. If you leave your Will in your safety deposit box, it would be wise to arrange for your Executor to have access to your box. Otherwise, upon your death, there may be delays in gaining access. The best solution, usually, is to leave the signed Will with your Executor, your lawyer, or with the bank or trust company named as Executor. Many Wills have been lost, leaving family and friends with the same anxiety and financial burdens as if there were no Will at all.

#### **Tips:**

- Tell your Executor and family where the original Will is kept.
- Keep an unsigned copy at home for reference.
- File the original with your lawyer or trust company.

#### Your Important Documents

Keep the following documents in a place where they can be easily located. The information will help in making funeral arrangements and in estate administration. It is also a good idea to photocopy these items, place them in one binder for easy reference. In the binder specify where each original document is located.

1. Birth certificate and social insurance number
2. Insurance papers and policies including contact information
3. Bank books and investment statements including contact information
4. Credit cards including contact information
5. Pension benefits including contact information
6. Burial plot information including contact information
7. Any funeral pre-arrangements
8. Duplicate tax returns
9. List of beneficiaries' names, addresses and telephone numbers

#### **Fiscalagents.com Site-links:**

[Good Records: What to keep, what to toss](#): We stick them in shoeboxes, accordion files and overstuffed envelopes, all in the hope of being able to find our important papers and records should the need ever arise. But when the time comes, are you left sorting through ten-year-old receipts or trying to remember

where you stuck that contract or agreement?

[The Cornerstone® Household Directory of Documents](#): Have you ever taken the time to think about the sheer volume of information you are required to remember? From bank account numbers to dates of special occasions to insurance policy numbers, we take it for granted that this information is there, ready to be easily recalled whenever needed.



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Part 7: Signing and witnessing your will

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Signing and witnessing is critical to the legal validity of your Will and requirements differ from province to province.

### Witnesses

You and your two witnesses sign the document in each other's presence and also initial each page. Neither your beneficiaries (someone who benefits from your Will) nor their spouses should be witnesses. As one or both witnesses may be called upon to give evidence as to the execution of your Will, they should be residents of Canada. It is recommended that your witnesses be younger in age than you.

In addition, a document required for the "probate" of the Will (called an affidavit of execution) should be signed and sworn by one of the witnesses, shortly after the Will is signed.

### A Regular Review

Once you have drafted your Will, don't allow it to become outdated. A Will drafted a few years ago reflects your thinking and lifestyle at that time. Consider what may have changed:

- **Tax laws** - your Will should reflect the latest tax saving strategies.
- **Family circumstances** - a birth, a death, or a move to a new province may indicate the need for a revision to your Will. Marriage necessitates a new Will.
- **Your investments** - your stocks have increased (or decreased) in value. You have purchased property, acquired a work of art or started a small business.
- **Your wishes** - you may now want to add a new beneficiary, change your Executor, or increase your support to organizations

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[Being an executor - What are your responsibilities and obligations?](#): Being named as an executor of an estate is a big undertaking requiring a considerable amount of time and knowledge. You have been entrusted to handle the financial affairs of the deceased in their absence and owe it to them to make sure you know what is required of you.

[Power of Attorney and a Living Will - The same thing?](#): Some simple estate planning solutions Estate

planning should not be considered as an after-effect of retirement - estate planning formalizes actions to transcend our own demise. For example, if you're responsible for a young family, then life insurance is a major financial support mechanism to safeguard and provide funding for schooling and other life needs, therein providing a particular estate planning solution.



Part 7 of 8



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Part 8: Your will - a personal reflection of your life

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Every person is unique, however, people have common needs - air, water, food, shelter, love, a sense of accomplishment. Beyond these, we are also concerned about our current financial needs, our futures and our family's well-being. Our day to day living is stressful enough and preparing a Will is not a subject most people talk about easily. The topic is usually ignored. Unfortunately, that is what almost half of Canadians do. Even among people who have already made Wills, most have not had their Will professionally reviewed every five years as recommended to keep pace with family, tax and legal changes.

What is a Will?

A Will is a written document, properly dated, signed and witnessed, in which you detail how the things that you own and your money are to be distributed after your death.

Why Is Estate Planning So Important?

Dying without a proper Will (or one that is out of date) risks needless taxation, legal challenges, delays, and family upset at an extremely stressful time. And your property may not be distributed as you intended. The only way to ensure that the things that you have worked hard all your life to have, will be passed on in a timely, tax-effective manner, according to your wishes, is to have a valid, up-to-date Will.

**Without a written Will:**

- If you die 'intestate', that is without a Will, you will allow the province in which you lived to decide the distribution of your estate.
- Your lifetime earnings could easily be depleted by taxes and unnecessary administration costs.
- The settlement process will be drawn out and your family may undergo financial hardship.
- You can not express your choice of a guardian for your young children.
- Nor will you have a choice of Executors, the individual or institution who will act on your behalf and carry out your final wishes. Without a Will the courts will appoint an administrator, who may not be the individual of your choice.
- There can be no donations or gifts to your favourite organizations.

- If you have no or next of kin, the province will take your estate into its own treasury.

A properly drafted Will is the only way to make a statement on your values and provide an orderly and timely plan for the settlement of your life.

Your Will is not a "Do-it-Yourself" project. As the laws are ever changing, we strongly urge you seek professional advice. This will ensure your personal situation is considered in the context of your province's estate and trust laws.

### **Fiscalagents.com Site-links:**

[Some simple estate planning solutions: What we do, what needs to be done, the process to follow...](#)

[What happens to your property if you don't leave a will?](#)

[Make your final wishes come true - by leaving memories, not problems](#)



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