

Estate Planning

*Please note that information contained within this session may not be applicable to Quebec.

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Agenda

- What is Estate Planning?
- Estate Planning Process
 - Tools and Strategies
 - Power of Attorney
 - Will
 - Joint Account
 - Gifting
 - Trust
 - Life Insurance
- Identity theft & fraud
- Tools and Resources
- Q&A



About Estate Planning

What is it?

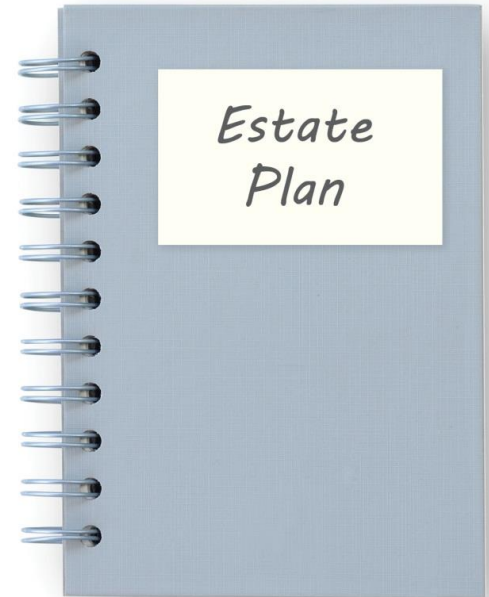
The process of creating a plan to distribute your assets, during your life or upon death, to take care of the people and things important to you.



About Estate Planning

Why do it?

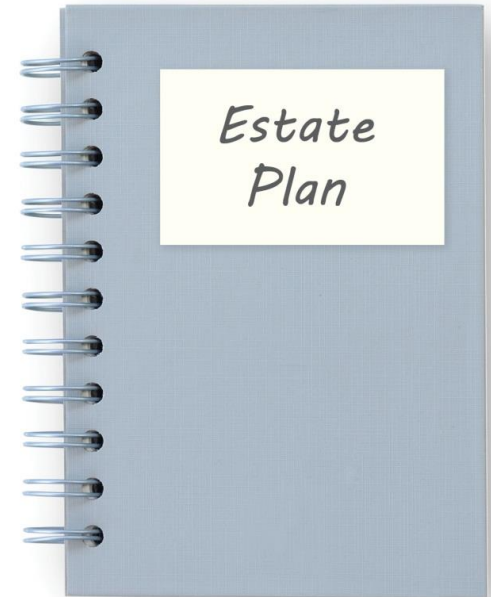
- To help ensure that your dependants and beneficiaries have income and assets for their ongoing needs.
- Avoid and minimize family disputes.
- To convey your wishes about how your affairs are to be administered.
- Minimize costs and taxes Peace of mind.



About Estate Planning

Components and goals of an estate plan

- A properly drafted will
- Insurance arrangements – life insurance, key person insurance, critical illness insurance and disability insurance
- Various trust arrangements (spouse trust or family trust)
- Shareholder's agreement



Estate Planning process

- ✓ Determine your objectives
- ✓ Understand your current financial status
- ✓ Consider strategies and tools
- ✓ Develop your plan
- ✓ Implement your plan
- ✓ Keep it current



Tools to consider

**Power of
Attorney**

Wills

**Joint
Accounts**

Gifting

Trusts

**Life
Insurance**

Powers of Attorney

What is a Power of Attorney (POA)?

- A legal document that allows someone you designate (“the attorney”) the power and authority to act on your behalf
- Can be anyone you trust – does not need to be a lawyer
- All POAs become invalid upon your death



Powers of Attorney

When a POA can come in handy

- While you are away for an extended period of time
- When you become incapacitated
- POA can cover specific or general situations and can take effect immediately or upon an event in the future



Powers of Attorney

Generally two types of POAs:

1. For Property

- Appoint an individual who is financially capable

2. For Health Care Decisions (also known as a *Living Will*)

- Appoint an individual to make health care decisions for you when you are incapable
- Provide instructions or guidance about health care decisions in certain situations

Dying without a Will

- Dying intestate, or without a Will, can be costly and time-consuming for your heirs.
- Leaves you with no say over who gets your assets.
- Not able to influence who may look after your dependants
- May have tax implications

In other words, you are leaving your life's work to the government to divide, so assets that are distributed to your heirs may be heavily taxed without proper planning.

Making your Will

- Determine where your property will go after all debts are paid, who will receive it and when.
- Remember to update your Will every three to five years or after every significant life event.
- Without a Will, your property will be divided according to a government statutory formula.



Making your Will

Select an Executor or Executrix

- Name one in your Will and also a backup
- Responsible for executing your wishes
- Not an honorary position - choose a competent, knowledgeable, trustworthy person
- Obtain their agreement beforehand
- They are not bound and can refuse when called upon
- They can charge a fee

Did you know?

When a person dies, the Canada Revenue Agency considers that the person has disposed of all capital property right before death at fair market value unless the property is transferred to their spouse



Did you know?

- Capital property can include cottages, investments in stocks, bonds and real estate.
- If your capital property has appreciated in value since it was acquired, the estate may need to pay significant taxes, which would reduce the assets available to the beneficiaries.



Did you know?

- **Filing deadlines** – due date for final returns depends on the date of passing.
 - **Between January 1st and October 31st** – due at the normal time of April 30th of the following year
 - **November or December** – due within six months after the date of passing
- Special rules apply for self-employed individuals and their spouses.

Cash needs and expenses upon death

- Administration expenses
- Funeral expenses
- Payment of outstanding debts
- Personal income taxes
- Maintenance and welfare expenses of the family
- Specific cash bequests
- Probate fees



Joint Accounts

Joint ownership

Registering assets under multiple owners is one of the simplest ways to transfer assets with Joint Tenancy with Right of Survivorship, so when one party dies, ownership is automatically transferred to the surviving party.

- Useful for avoiding probate fees, but other tax and legal issues can arise
- You must be comfortable with the other individual having access and control over the assets
- Residents of the Province of Quebec cannot use this

Giftng

Giftng assets before death

The easiest way to transfer assets is to give them away while you're alive. While giftng to charitable causes can lead to tax benefits, other giftng can create tax liabilities.



Trusts

- A trust is a legal entity that you can create to hold various types of assets
- Trusts can be created while you are alive or upon your death through your Will
- Once you transfer your assets to the trust, the trust becomes their legal owner and the trustee
- Part of the trustee's responsibility is to distribute the income and assets of the trust to the beneficiaries

Benefits of a Trust

- ✓ Manage assets for benefit of minor children or for physically or mentally impaired beneficiaries of the estate
- ✓ Can control assets without owning them
- ✓ Shield assets from creditors
- ✓ Possibilities to reduce taxes
- ✓ Privacy



Trust matters

- required to file an annual income tax return
- T3 Trust Income Tax and Information Return (T3 return) within 90 days
- 2021 and later – additional information reporting required on annual basis for express trusts resident in Canada



Life Insurance

1. Life insurance is an effective way to transfer wealth tax-free from a parent to a child or grandchild

FINANCIAL FACT

Life insurance proceeds are paid 'tax-free' to the named beneficiary or beneficiaries

Life Insurance

2. Life insurance proceeds are typically used for the following purposes:
- To maintain the lifestyle of your dependants – for example, your wife and children and their home, lifestyle, or education
 - To pay funeral and related expenses
 - To pay Estate income taxes

FINANCIAL FACT

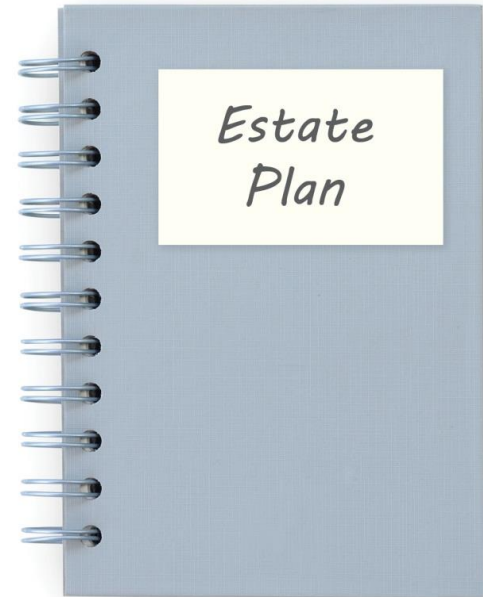
Critical illness and other disability insurance are great for life events that do not end in death

Tax specific tips

- Annual review of estate plan
- Consider freezing the value of your assets and arranging for funds to be set aside
- Consider purchasing life insurance, to cover the payment of estimated income tax liability.
- Estate freezes – complete or partial and staged
- Review and update will periodically
- Weigh continuing non-tax benefits of using trusts for post-mortem planning

Key Ideas

- Consider Powers of Attorney
- Maintain an up-to-date Will
- Name an Executor
- A good Estate Plan will help minimize/avoid
 - Taxes on your Estate
 - Probate fees



Tools and Resources

- *Estate planning, wills and dealing with death* – Financial Consumer Agency of Canada
canada.ca/en/financial-consumer-agency/services/estate-planning
- *Wills, Estates and Trusts* – Ministry of Attorney General (Ontario)
attorneygeneral.jus.gov.on.ca/english/justice-ont/estate_planning.php



Questions?

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