Estate Matter: The Place to Start

A Prudent Canadian's Guide to Effective Estate Planning

FISCAL AGENTS
SAVINGS & INVESTMENTS

The Cornerstone of
Financial Independence
is Not the Privilege of the Rich…

It's a Plan of the Wise ®

The Prudent Canadian’s Guide to Effective Estate Planning [1]

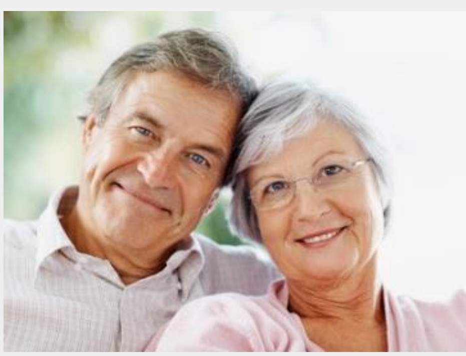
The essence of estate planning is thinking about the future and developing a program to create, preserve and transfer assets. So that when the time comes, your assets are transferred to the selected individuals, in the amounts you choose. A proper estate plan can also help you build assets, manage the transfer of those assets in a tax-effective manner and, if required, give you indirect control over those assets through a family trust.

Estate planning is about life-now and in the future. Most importantly, estate planning is about the life of your family and loved ones -and the peace of mind you get from ensuring their financial security.

For most people, estate planning is a difficult subject to discuss and to plan for, because it forces us to come to terms with our own mortality. Yet it is something you need to discuss openly with your loved ones today, because you can't do so after you're gone.

Each person will approach estate planning differently, with their own personal motivations and expectations. No estate plan will be exactly like another: Estate planning should be a reflection of your personal priorities and choices.

1 - WHAT IS AN ESTATE?



Virtually everyone will create an estate on their death. An estate includes all of the assets and debts that you acquire during your lifetime. For most Canadians, this will consist of a principal residence, some non-registered investments such as stocks and bonds, cash in a bank account, any registered inestments (e.g., RRSPs, RRIFs, pensions) and, for some, a second residence such as a family cottage or condominium. If you own a private business, your estate will also include the shares of your business.

Your estate also includes any debts you owe, such as outstanding credit card debt, mortgage debt or a line of credit. On top of that there may be final taxes and expenses involved in settling your estate, such as legal fees, probate fees and funeral expenses.

In the absence of proper planning, debts and taxes can have a negative impact on the ultimate value of your estate. If your wishes are to be met, how much of an estate you leave and what this estate consists of requires careful planning.

2 - WHAT IS AN ESTATE PLAN?

A proper estate plan is a document created with the help of your financial, legal and tax advisors. An estate plan outlines your personal and financial objectives, asset accumulation plan, tax minimization strategies and cash flow management, both during the asset accumulation and withdrawal stages. Prepared properly, a good estate plan allows you to "see" into the future and envision your estate and its ultimate distribution.

A comprehensive estate plan will include an up-to-date will, a power of attorney for property and a power of attorney for personal care. While these documents are the legal basis for the distribution and ongoing management of your assets, effective estate planning involves much more.

Estate planning is generally guided by a number of rational motivations

- **Provide adequately for family members and/or other loved ones**
- **Ensure your estate is distributed in a timely manner after your death**
- **Minimize taxes - both during your lifetime and for the beneficiaries of your estate and three emotional motivations**
- **Gain comfort from knowing your loved ones are well looked after**
- **Feel secure knowing that settling your affairs will not add more stress to those grieving for you**
- **Rest assured that your estate will be distributed as you wish**

In the absence of proper planning, debts and taxes can have a negative impact on the ultimate value of your estate.

As we journey through the various stages of life, we spend considerable time building relationships and accumulating assets. Passing on a legacy to family and friends, and avoiding unnecessary taxes and administrative delays, takes proper planning. Your estate plan is as individual as you are, and taking the time to complete your arrangements now will give you control over how you provide for those closest to you. As you read the different strategies in this booklet, take time to think about your own estate plan and how you can establish a plan that reflects what's most important to you and your loved ones.

3 - CREATING YOUR ESTATE

A The first step in estate planning is to determine whether or not you want to leave an estate to your heirs. If the answer is yes, the next step is to determine how much you plan to leave and what that estate will look like. Will it consist of cash, assets, land and/or investments? The third step is to factor in taxes and fees to arrive at your net estate.

As a starting point, you need to know where you stand today before you can develop a plan for the future. To do so objectively, you should consult your financial advisor. Your advisor's role is to help you assess your current financial position, recommend alternative money management strategies and, ultimately, to help you achieve the financial future you see for yourself and your family Your advisor has skill and expertise in all areas of money management, including investments, insurance and debt management. Your advisor can help you answer the key questions -"What do I have now? What do I plan to have in the future? And how do I get there?"

Your estate plan needs to be flexible in order to respond to changes that you and your family will inevitably experience as you go through life. It is critical to work with a qualified financial advisor who will review your estate plan regularly and advise you on the most effective changes you need to make.

Your advisor's role is to:

- Help you develop estate goals
- Liaise with other practitioners on your team
- Perform cost-benefit analysis
- Provide strategies to maximize size of estate
- Advise on various strategies and their coordination
- Ensure timely planning and implementation of plan
- Ensure competent management of assets
- Provide support to you when creating your plan
- Communicate with beneficiaries and help with administration when needed

3 - CREATING YOUR ESTATE cont'd

Who gets what

You need to determine who your heirs should be and what they should receive. For example, you may want to leave cash to some of your heirs, and investments, property or shares in a private business to others.

Some heirs could receive a lump sum of capital, while others receive a regular monthly income. Many Canadians donate to charities through their estate to provide bequests and take advantage of tax planning opportunities.

Your financial advisor can help you work through these decisions.

4 - ELEMENTS OF AN ESTATE PLAN

Your will

A current and properly drafted Will is the cornerstone of an estate plan.

This document is vital to ensure that your wishes are carried out after you die. Without a will, the provincial courts will decide how and to whom your assets will be distributed based on intestacy laws. The courts may also appoint guardians for minor children.

A Will allows you to: name a person (executor, estate trustee or liquidator) or institution to administer and distribute your assets to your beneficiaries; appoint a guardian for your children if they are young; and express any limits on the use of your assets.

These are important decisions.

Selecting an executor is more than asking a friend or relative to volunteer.

You need to choose the person who is best suited and most capable of handling your affairs after you are gone.

A current and roperly drafted will is the cornerstone of an estate plan.

Powers of attorney

At some point in the future you may be unable to make your own financial or medical decisions. However; you can prearrange for someone to make these decisions according to your wishes by having a lawyer draft a separate power of attorney for property and a power of attorney for personal care.

Property: Since a power of attorney for property gives one or more people the authority to manage your financial affairs if you cannot do so, the person you appoint should be someone you trust implicitly. For many people, this is the executor appointed in their Will.

Personal care: Medical and lifestyle decisions must often be made quickly when someone is seriously ill; hence, one or more family members are often granted a power of attorney for personal care. A power of attorney for personal care includes directions for your health care, nutrition, shelter, clothing and safety issues, as well as your final wishes from a medical perspective. While not binding in all provinces, you should discuss your desires with your doctor and your family so they know your preferences in the event that you are unable to communicate with them yourself. A lawyer can help you prepare a power of attorney for personal care and advise you of any limitations that may apply.

Please note:-

You don't have to create a power of attorney. But if something happens to you and you don't have one, other arrangements will have to be made. A family member may have the right to make certain personal care decisions, and can apply to become the guardian of your property. Alternatively, someone else — like a close friend — could apply to the court to be authorized to act for you.

If no suitable person is available, the government may have to step in, through the Office of the Public Guardian and Trustee.

Life insurance/Protecting your estate plan

For your estate plan to work effectively, there must be sufficient cash in your estate to allow you to realize your goals.

Life insurance is crucial to estate planning.

Consider additional life insurance to cover administrative and tax liabilities

With a well-designed life insurance plan, an individual with no other assets in his/her estate, or someone who has used up all of their assets in retirement can still leave a legacy.

In addition, the tax-free payout from a life insurance policy can help preserve other assets by providing cash to pay taxes or probate fees. For example, if the main asset in your estate is a family cottage, life insurance proceeds can be used to pay taxes on the increased value of the property so that it can be kept in the family. Without these proceeds, your heirs may have to sell the cottage to satisfy the tax debt.

It is important to work with your financial advisor or insurance expert to match your insurance needs with your long-term financial objectives.

5 - OTHER PLANNING STRATEGIES*

Minimize taxes payable on the estate

Your estate may have to pay income pay income tax and probate fees on your death, which may reduce the proceeds intended for your beneficiaries. If any part of your estate must go through probate to validate the will before transferring ownership of assets, the entire estate value may be subject to probate taxes.

Income tax can be the single greatest liability on a household balance sheet. Where assets are not transferred to a surviving spouse, the final value of an estate is often substantially less than anticipated due to estate taxes payable prior to distribution.

The two largest tax bills generally result from the deemed disposition of registered and non-registered investments. In the case of an RRSP account, the balance is paid out and is taxed against the estate as income. For non-RRSP investments, taxes must be paid on all unrealized capital gains. Often the greatest gains are realized on property other than an individual's principal residence, such as a family cottage.

5 - OTHER PLANNING STRATEGIES cont'd

To minimize income and probate taxes, there are ways to distribute assets to your heirs outside of your estate. The key is to reduce the value of your estate.

The simplest way to do this is to ensure, wherever possible, that you have designated beneficiaries for registered retirement savings plans (RRSPs), registered retirement income funds (RRIFs), annuities, life insurance policies and guaranteed investment certificates (GICs) issued by insurance companies, so that these assets do not form part of your estate.

An institution may not be required by law to have an executor file for probate to transfer the proceeds if there is a named beneficiary.

Keep your beneficiary designations up to date, since assets are distributed according to the last beneficiary designation on record. If your spouse is your beneficiary, consider adding an alternate beneficiary to cover the possibility that your spouse does not survive you.

Establish a living-family-trust

If assets are transferred to a living trust when you are alive, they will not fall into your estate and will therefore reduce probate taxes. This also ensures that you maintain control over the assets transferred to the trust during and after your lifetime.

Establish joint ownership with right of survivorship

Property held in joint ownership with right of survivorship passes directly to the survivor on your death rather than through the will. Since the jointly held asset does not form part of your estate, the need for probate on the property and payment of probate taxes is eliminated.

The two largest tax bills generally result from the deemed disposition of registered and non-registered investments.

5 - OTHER PLANNING STRATEGIES cont’d

Leverage insurance products

Some insurance products provide a straightforward alternative for minimizing probate taxes. GICs issued by insurance companies are actually annuities, and as such are eligible to be paid directly to designated beneficiaries rather than passing through the estate. This eliminates probate taxes on the GICs.

You may want to consider additional life insurance to cover administrative and tax liabilities. Cash from insurance policies may generate sufficient liquidity to fund probate taxes, income tax liabilities and other debts payable at death. Life insurance solutions, however; are contingent on the individual's age, health and insurability, as well as the ability to pay the annual premiums.

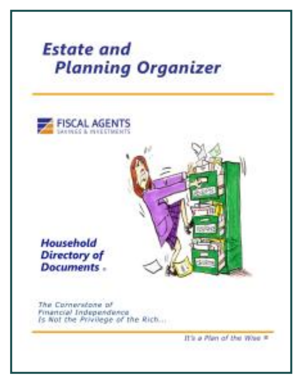
Prearrange your funeral

Anyone who has arranged a funeral knows the potential stress, confusion, pain and added costs that can result from last minute preparations. As well as reducing costs, preplanning funeral arrangements allows for family input, ensures your wishes will be followed and relieves family members from having to make decisions at a difficult time.

Keep track of accounts and important information

One of the most difficult roles for an executor and family members is gathering all the information required to settle the estate. You can eliminate this concern by centralizing all household information, from birth certificates, passports and other legal documents to bank accounts and insurance policy numbers, and phone and hydro account details.

Once you have documented your important information, store a copy in a safe place and let someone close to you know where it is located.



Have you documented your important information, and stored a copy in a safe place?

Download you copy at www.fiscalagents.com/publications/household

5 - OTHER PLANNING STRATEGIES cont'd

Review and update files regularly

Review and. if necessary, update all information at least once a year Evaluating your estate plan on a regular basis provides you with a snapshot of your progress and gives you the opportunity to revise your plan, if needed, and get back on track.

The annual review should include a review of your company's benefit statement and beneficiary designations for life insurance plans, RRSPs and pensions.

Let someone know

After you have developed an estate plan, the final step is communication.

It is important to communicate your plans to a family member or close friend who you can trust and who is capable of working with your advisor to execute your estate plan.

Dealing with incomplete information or queries in settling an estate can be very frustrating. To help eliminate potential misunderstandings, it is important to not only share your plans with someone, but also carefully document them as well. As difficult as it may be, making sure that those affected by your plans know what is expected of them and where critical information is kept is essential to the smooth execution of your estate plan.

Your financial advisor should be familiar with your plan and can help carry out your final wishes.

YOUR ADVISOR TEAM

The complexity of your situation will determine the professional assistance required to create your estate plan. Your team may include a financial advisor, lawyer and/or tax planner. We recommend that you take time to interview each practitioner before retaining their services, as they will have access to some of the most intimate details of your life.

The most logical place to start is with your financial advisor - a professional with whom you've likely already established a trustworthy relationship; someone who knows your personal goals. They can recommend a lawyer and, if necessary, a tax professional to create the most effective estate plan possible for you and your family.

GETTING ADVICE:

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.

Notice: Fiscal Agents are not engaged in rendering tax, accounting or legal professional services advice.

The comments in this document are not intended, nor should they be relied upon, to replace specific professional advice. Before acting on material contained herein.

Readers should seek advice that is appropriate to their personal circumstances from a professional advisor.

TURNING YOUR PLAN INTO ACTION

At Fiscal Agents we are here to help.

Working closely with your Fiscal Agents and Investment Planning Counsel financial advisors and a team of experts, you'll find the estate planning process to be a liberating experience. A good estate plan will provide you with the peace of mind that comes from knowing your loved ones will be well taken care of after your life.

- The planning strategies referred to here may have adverse tax consequences and may not reflect your financial goals.
- Your advisor can help you obtain appropriate financial and legal advice before proceeding.

We wish to acknowledge the contribution of Fiscal Agents-Investment Planning Counsel in the production of the information booklet

A Cornerstone®
Planning Report

Fiscal Agents Ltd

25 lakeshore Road West Oakville, On L6K 1C6 905 844 7700

WWW.fiscalagents.com

Other publications available from

FISCAL AGENTS
SAVINGS & INVESTMENTS

Estate Planning

The Prudent Canadian's Guide to Effective Estate Planning

The essence of estate planning is thinking about the future, and developing a program to create preserve, and transfer assets. Estate planning is about life - now and in the future. Most importantly, it's about the life of your family and loved ones, and the peace of mind that comes with ensuring their financial security.

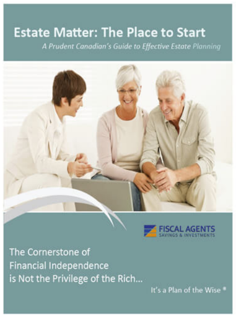
Estate Planning

Why You Need an Estate Plan: 10 Simple Steps

Getting started with Estate Planning can seem like a daunting task.

Inside this document you'll find the process broken down into steps - from selecting professionals to hire, setting up a balance sheet, understanding the role of insurance and more.

Estate Planning

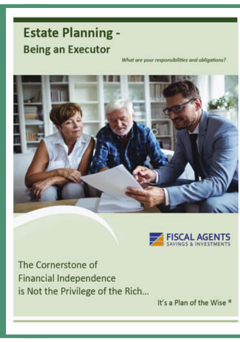


Estate Matter: The Place to Start

For most people, estate planning is a difficult subject to discuss and to plan for, because it forces us to come to terms with our own mortality.

Yet it is something you need to discuss openly with your loved ones today, because you can't do so after you're gone.

Estate Planning



Estate Planning: Being an Executor
What are your responsibilities & 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.

Retirement Planning

Financial planning your Retirement: How do you get started?

No matter what your age or stage of life, you should have some form of financial plan for retirement. It's said that financial planning for retirement should be a career long process, and the longer you are able to set money aside for retirement, the more compound interest will work for you.

Retirement Planning

Incapacity: Planning ahead helps

Accidents and aging are a part of life. Like an up-to-date will, a power of attorney is an important tool in financial and estate planning. Planning ahead in case of serious disability or health problems allows decision-making relating to property or personal care to proceed without unnecessary disruption.

General Interest

Financial Independence Checklist

Experience has shown there are six key principles to financial independence. Those who adhere to them are more likely to succeed. Those who don't jeopardize their chances at financial independence. In this document we describe the six principles in detail, and provide a brief explanation on how you can apply them to your situation.

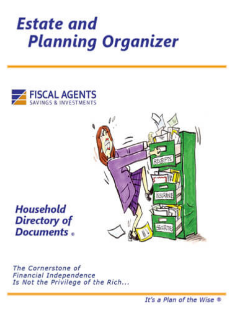
General Interest

Planning for your children's future

In today's hectic world, planning plays an important role in the way we live our lives. From major decisions to relatively minor issues, planning is what makes our lives run smoothly.

We often put off tackling the chore of making the most important choices: Planning for our future and the futures of our children.

Reference Guides

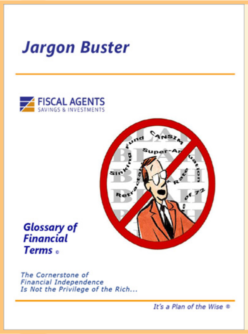


Estate and Planning Organizer: Household Directory of Documents

A useful tool for anyone who understands the importance of keeping clear and concise records that, when completed, will be invaluable to you, your family members and loved ones, as well as to the executors of your estate.

This publication is completely interactive - you can add or update information to it whenever you like.

Reference Guides



Jargon Buster: Glossary of Financial Terms

Designed for both the finance professional and the money market novice, with over 1,200 concise definitions of relevant terms used in the financial industry, the Jargon Buster touches on almost every facet of finance, investment and savings in a manner that is clear and easy to understand.

Browse all of our completely free publications at www.fiscalagents.com