

Why You Need an Estate Plan - 10 Simple steps

What are your responsibilities and obligations?

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Fiscal Agents Savings and Investments

Step 1: Designate a Team of Professionals

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The complexity of your situation will determine the assistance you will require from professionals to create your estate plan. Your team may include a financial adviser, lawyer and tax planner. On a personal and emotional level, it's best to work with people whom you trust and feel totally at ease with.

We recommend you make time to interview each practitioner thoroughly before retaining his/her services, as he/she will have access to some of the most intimate details of your life. The most logical place to start, therefore, is with a professional you've likely already established a trustworthy relationship with and who knows the intimate details of your personal goals - your financial adviser.

Financial Advisor's Role

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

Lawyer's Role

- ◆ Review your estate goals
- ◆ Draft legal documents: wills, powers of attorney, letters of wishes
- ◆ Provide direction on various strategies and tactics
- ◆ Draft, validate and interpret trusts
- ◆ Represent the estate in litigation of wills and estate disputes
- ◆ Mediate or arbitrate any estate disputes
- ◆ Serve as trustee, executor or agent if asked
- ◆ Assist estate and trust administrators to interpret your wishes

Tax Planner's Role

- ◆ Assess estate goals from a tax perspective and advise accordingly
- ◆ Reduce the tax bite during your lifetime and at death
- ◆ Advise on tax implications of various strategies and tactics

Step 2: Draw Up a Household Balance Sheet

A household balance sheet is a summary of your financial situation that ultimately determines your overall net worth. Your net worth is the value of your assets (what you own) minus your liabilities (what you owe). Work with your financial adviser to develop your household balance sheet

A Household Balance Sheet Helps You:

- ◆ See how vulnerable you might be to shifts in your circumstances (i.e., should a death or disability occur)
- ◆ Understand how risk tolerant and comfortable you are with handling your debt
- ◆ Reflect on your lifestyle and consider what is most important to you
- ◆ Review income that will be available to support your family, including your insurance proceeds from policies



Step 3: Understand Your Life Insurance Needs

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Life insurance is crucial to estate planning because proceeds from policies can be used to:

Replace Income

Your family may lose your income once you die. Proceeds from the insurance policy can be invested to produce income to replace some or all of the lost earnings

Pay Estate Expense's

People often underestimate the cash required to pay expenses resulting from the funeral, income taxes, estate administration and probate fees, and other debts payable. The proceeds from an insurance policy can save your family from these burdens.

Leave An Inheritance

If you don't own a lot of assets, this is one of the best ways to provide for your loved ones.

Key Question 1#



With estate planning in mind, what types of insurance should be considered?

Here are the most common:

- ◆ Whole life can be expensive but works as an investment and provides a death benefit; it builds a cash value that's tax- deferred
- ◆ Term insurance has no cash value and is less expensive
- ◆ Universal life has a term insurance component and a tax -deferred savings or investment component

Key Question 2#

How much insurance do you need

Here are the most common:

Ideally, you must try to balance affordability with what you think your beneficiaries will need. Examine your debts, income needs, occasional and regular expenses and expected future expenses.

On your death, the proceeds from an insurance policy go to the designated beneficiary. If you have minor children, you may want the proceeds to be held in a trust created in your will.

If you are part of a closely held business where associates are shareholders, Insurance proceeds allow the surviving associates to acquire your interests. You'll need the help of a lawyer, accountant and insurance agent or financial adviser with this situation.

Step 4: Draw Up Your Will

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The Purpose Of A Will Is To:



Here are the most common:

1. Administer and/or pass on assets that have not already been distributed prior to death
2. Name the person (executor or executrix) or institution that will I administer your affairs on death
3. Name a guardian for any minor children
4. Express any limits on the use of your assets

A will is a crucial legal document provincial legislation dictates who handles everything, who gets what, and who cares for your children.

There Are Three Types Of Wills:

FORMAL WILL

- a) Typed and signed by you in the presence of at least two witnesses
- b) Witnesses cannot be your beneficiaries or their spouses
- c) Typically drafted by lawyers to ensure your will is legally valid, meets your needs and does not create any future problems

HOLOGRAPH WILL
(Not accepted in some provinces)

- a) Written entirely in your own handwriting and signed by you
- b) No witness is necessary
- c) Not recommended as it may leave family members with a morass of legal complications Your heirs may have trouble trying to interpret your expressed wishes and financial institutions may be reluctant to transfer assets in accordance with your wishes.

NOTARIAL WILL
(In Quebec only)

- a) Signed by you, a witness and a notary
- b) Kept by notary in special register
- c) Your will won't become effective or public until your death. Until then you can change the terms or revoke it completely - as long as you are mentally competent. Your will should be reviewed at least once every three years to ensure it has not been affected by changes in legislation or your personal situation.



Appoint an Executor

Selecting and appointing an executor may be one of the most important decisions you'll ever make. An executor is the person, named in your will, who is responsible for settling and managing your affairs after your death. He/she must follow the instructions in your will and is ultimately responsible to the beneficiaries.

This is not an honour you are bestowing on a friend. There are plenty of other ways to involve your friends in your estate plan. You are selecting the person who will be best suited and capable to either handle all your affairs after you're gone or oversee their administration with the assistance of knowledgeable professionals.

The appointment may be an imposition as the designate must be able to:

- Commit time to carry out all duties and responsibilities - May include taking time off from work or sacrificing other personal responsibilities
- Deal with your family members, perhaps for a number of years if the estate assets are not immediately distributed

Make sure you and the person you designate completely understand the responsibility you are entrusting.

Executor's Duties



- Prepares a statement of assets and liabilities and oversees them
- Settles the liabilities of the estate, including all legitimate claims by creditors, funeral and other expenses
- May submit the will for probate
- May have to arrange the funeral
- Completes life insurance claims and collects proceeds of policies in force, if estate is beneficiary
- Distributes assets and property to beneficiaries according to the instructions in the will
- Invests, manages and distributes funds held in ongoing trusts
- Files the final income tax returns and secures releases from Revenue Canada
- With these duties in mind, consider the following character traits when appointing your executor:



Integrity and Good Judgement

Will the person be able to act fairly in dealing with family members?

Willingness

Has the person seen the will and is he/she willing to take on the commitment?

Time, Patience and Organizational Skills

Will he/she be able to follow up on all of the details, either directly or with assistance of professionals?

Accessibility

Will the person be around to talk to family and advisers? Does he or she live nearby?

Familiarity

Can he or she deal with the family dynamics?

Legal and Financial Awareness

Will he or she understand where professionals may be needed for investment, tax and legal advice?

Many people often appoint more than one executor. Some people appoint a family member because of their understanding of family dynamics, and a professional to handle administrative and legal aspects of the estate settlement. Naming an alternate is also wise if your appointed executors cannot serve.

Some of the reasons for choosing a corporate executor (e.g., A Trust Company can act either as executor or agent to the executor) are:

- ◆ You do not want to burden family members or friends
- ◆ You do not know anyone who has the expertise to be your executor
- ◆ You do not have immediate family members who live close by, or do not want to have them involved or you anticipate potential family strife, favouritism or jealousies
- ◆ You anticipate struggles for control over certain assets or business interests
- ◆ Your appointed individual executor is unable or unwilling to undertake the task
- ◆ You want to make sure your wishes are carried out, if you and your spouse die in the same tragedy



Appoint a Guardian



A guardian is the person who will become the legal custodian of your minor children should you die. Choose someone you trust, and who understands what you think is best for your kids. A guardianship remains in force until children reach the age of majority. Parents should openly discuss their desires with the person or people they want to appoint as guardian(s), to ensure the appointees are willing to take on the responsibility. Remember that a good choice for a guardian when your children are toddlers, may not be a wise choice when they are teenagers.

Criteria For Choosing A Guardian

Related Publication

Planning for your children's future



*Choosing a Guardian
A fact finding Report*

Planning for your children's future, checkout this informative overview and guardian checklist

www.Fiscalagents.com/publications/guardian

- ◆ Does the person share your child rearing values?
- ◆ Is the person, or family, someone your children would want to live with?
- ◆ Is that person willing to assume the responsibilities of guardianship?
- ◆ Does your will provide sufficient financial support for the children while they are in the guardian's care?
- ◆ Can that person afford to raise and support your children?

At some point in the future, due to an accident, disability or simply old age, you may be unable to make your own financial or medical decisions.

But you can prearrange for someone to make these decisions according to your wishes by having your lawyer draft a separate power of attorney for property and personal care.

Step 5: Establish Power of Attorney for Property

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Related Publication

**Incapacity:
Planning ahead**



**Plan of the Wise
Special Report**

**Accidents and aging are
a part of life! This report
explains the ins and
outs of POA**

**[www.Fiscalagents.com/
publication/Incapacity](http://www.Fiscalagents.com/publication/Incapacity)**

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 would literally trust with your life (it could be the executor appointed in your will). There are two types:

- ◆ General -covering all aspects of your financial affairs, or
- ◆ Limited - limiting the scope of powers given to your designates)

If prepared properly under relevant legislative restrictions, a power of attorney for property will remain valid if you become mentally incapacitated.

All powers of attorney terminate on death, the appointment of a committee or guardian by a court order, or on the death of the person you have appointed as attorney. You can revoke a power of attorney at any time, as long as you are mentally competent.

Step 6: Establish Power of Attorney For Personal Carey



Medical and lifestyle decisions must often be made quickly when someone is seriously ill; hence, one or more family members are often granted this power of attorney to make decisions for you.

Power of attorney for personal care includes direction for your health care, nutrition, shelter, clothing, hygiene 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 family so they know your preferences if you cannot communicate them yourself. A lawyer can help you prepare this and advise you of the limitations that may apply.

Step 7: Minimize Taxes and Administration Fees

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Your estate may encounter certain obligations for income tax and probate fees on your death, which may reduce the proceeds intended for the beneficiaries of your estate. If any part of your estate must go through probate to validate the will before transferring ownership of assets - it may be subject to probate fees.

Keep It In The Family

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

The simplest way is to ensure you have designated beneficiaries for RRSPs, RRIFs, annuities, life

insurance policies and GICs issued by insurance companies so that assets do not form part of your estate. Institutions may not be required by law to have executors file for probate to transfer the proceeds if there is a designated beneficiary named.

Keep your beneficiary designations up to date since these 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 you both die at the same time.

Here are some other options that may or may not apply to your circumstances:

In this case, property passes to the survivor by law rather than through the will. Since the jointly held asset does not form part of the first joint owner's estate, the need for probate on jointly held property and the payment of probate fees is eliminated.

Prearranging funeral plans will eliminate costly purchases by grieving family members.

Anyone who has arranged funeral plans knows the stress, confusion, pain and potential for added costs that can result from last minute preparations. Pre-planning funeral arrangements can drastically reduce costs. It also allows for family input, ensures that your wishes are followed and relieves family members from having to make decisions at a difficult time.



Establish Joint Ownership With Right Of Survivorship

Prearrange Funeral



Leverage Insurance

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

This eliminates the probate fees that are payable on the GIC. You may want to consider additional life insurance to cover administrative and tax liabilities. Cash generated from insurance policies is also a reasonable solution for generating liquidity to cover probate fees, tax liabilities and other debts payable at death.

Whenever capital is required at death, life insurance should be a key estate planning consideration. Life insurance solutions, however, are contingent on the individual's age, health and insurability, as well as the ability to pay the annual premiums.

Minimize Taxes Payable On The Estate



Establish A Living Family Trust

By transferring assets to a living trust while alive, the assets are removed from the estate and therefore reduce the value of the estate subject to probate fees. This also ensures that the testator maintains control over the assets transferred to the trust.

The planning actions referred to here may have adverse tax consequences and may not be in keeping with your financial goals. We recommend that before you implement any of the suggested actions, you get financial and legal advice.

Income taxes are for many estates the single greatest liability on the balance sheet. In fact, where assets are not transferred to a surviving spouse, many people and their beneficiaries are surprised to learn that the received value of an estate is substantially less than they thought because of taxes payable on it before distribution.

The two largest tax bills generally result from the deemed disposition of investments. In the case of an RRSP account, the balance is paid out and is taxed to the estate as income. For non-RRSP investments, taxes must be paid on all the unrealized gains of the investments.

Often the greatest gains are realized on property other than an individual's principal residence (a family cottage, for example).

Step 8: Keep track of Accounts

[1 2]

and Important Information

The Cornerstone Estate and Planning Organizer



Its 52 pages provide your loved ones the peace mind knowing what information that they need, when they most need it!

[www.Fiscalagents.com/
publications/estate10steps](http://www.Fiscalagents.com/publications/estate10steps)

One the most difficult roles for an executor and family members is gathering the information required to settle the estate. Take this concern away.

Centralize all household information from birth certificates, passports and other legal documents, to bank accounts and insurance policy numbers, to day-to-day long distance phone companies and hydro.

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

Step 9: Review and Update Regularly

Review and, if necessary, update all information at least once a year. By updating your statement of net worth, you are getting a snapshot of where you are on an annual basis. This gives you the opportunity to compare where you were to where you are now and, if need be, to revise your financial plan to get you where you want to go. This should include a review of your company benefit statement for coverage and beneficiary designations for life insurance, RRSPs and pensions.

Step 10: Share Your Plans

It's really important to share your plans. There's nothing more disturbing than for someone to have to deal with incomplete information or requests. As difficult as it may be, make sure that all those affected by your plans know where things are and that what they need to do. Remember that all the planning in the world won't help you if no one knows about it.

Bring Your Estate Plan to Life.

We felt that the following would be of interest.

On the following pages we've reproduced an informative article authored by Ellen Roseman Toronto Star financial Columnist. In as much as it was published in 2007 and if any calculations or other figures are mentioned they would need to be confirming.

Contrary to the unconscious fear many people may have, preparing an estate plan will not hasten your demise. In truth, you'll find the process to be liberating, providing you with the peace of mind that comes from knowing your loved ones will not be burdened with sorting out your personal and financial affairs. No doubt they'll have much grief to contend with, but removing unnecessary problems will help them cope with their loss, making life in the present - and in the future - that much more enjoyable.

Giving away assets while alive

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Money 410/There are Pros and Cons

Ellen Roseman—Toronto Star Columnist 2-04-07

What's the best way for parents to pass along money to their children? Should they do it in a will or make financial gifts before death?

There are advantages to giving away part of your estate while you're alive, says Sandra Foster in *You Can't Take It with You: Common-Sense Estate Planning for Canadians*.

- You can reduce probate taxes, levied on the value of the estate's assets distributed through a will. Ontario's probate tax is about 1.25 per cent (\$5 per \$1,000 on the first \$50,000 and \$15 per \$1,000 on the rest).
- You can save on executor fees, also based on the size of your estate. Trust company executors always charge fees and family members occasionally do, depending on the work involved.
- Your future income taxes may be lower, once you sell investments that generate taxable income and Capital gains.
- Gifts made outside your will are private. They don't get the exposure and scrutiny that comes from a probated will.
- You may take comfort from the feeling that you've put your affairs in order.
- You can see your children appreciating your generosity (at least, you hope so) and enjoying previously unaffordable trips and other luxuries.
- There may be fewer family squabbles after your death if you exercise some of your wishes a head of time.

She urges parents not to bestow gifts on a favourite son or daughter. The other siblings can put two and two together and figure out what is going on.

"If there is a true need, people understand," Foster says. "But if it comes down to favouritism, that IS another matter."

There are also disadvantages to giving away assets during your lifetime.

- If you give away too much too soon, you may become financially dependent on family members or government social assistance.
- If you own assets jointly with adult children, you no longer have exclusive control over them. They can be seized by creditors in a bankruptcy or split with an ex-spouse in a divorce settlement. You hope your children won't abuse their joint ownership, such as depleting a bank account without your consent.
- If you hand over cash to adult children, neither you nor they will have to pay tax on the gift. But if you give investments that have increased in value since you bought them, the Canada Revenue Agency may consider you have "sold" them at fair market value. You'll have to report a capital gain that could increase your income tax in the year you made the gift.

Financial planners often urge older clients to register their investments jointly with adult children. This keeps the assets out of the estate and reduces probate tax. In Ontario, you can save about \$7,500 in probate tax on a \$500,000 portfolio by changing the ownership.

But you have to read the documents carefully when you set up joint ownership. The question to ask: "Is there a right of survivorship or not?"

Some joint ownership arrangements are set up just for convenience - to avoid administrative hassles while the older person is still alive. When he or she dies, the asset becomes part of the estate and is transferred according to the instructions in the will.

If there's a right of survivorship, however, the asset stays out of the estate and is not governed by the will. All that is needed to transfer ownership is proper proof of death. Sometimes it's not clear what a *person intended to do when putting property into joint ownership*. This can lead to legal fights after death - in fact, two such cases were heard in the Supreme Court of Canada last December (2006).

"This is a real hot issue," says Ian Hull, a Toronto lawyer and estate mediator. "The courts continue to ask what is the real intention when setting up a joint account. Is it for tax planning or easy access to funds for an elderly parent's needs? Where does the excess money go on death?"

When transferring ownership of assets to adult children, parents should document what they're doing and why.

"If you're giving joint ownership to one child who lives nearby, explain it to the others," says Barry Corbin, a lawyer who specializes in estate planning. "Get them all to sign an acknowledgement that they understand the arrangement."

Parents should say what their intentions are. Are they just trying to avoid probate tax? Do they want the money split equally among the adult children after their death? The same advice applies to parents who make gifts of cash to adult children while alive. They should keep records of each transaction. "I tell clients to document it. They can even write something on the cheque," Hull says. If adult children fight it out in court later, the one who receives the cash will have to prove it's a gift.

There's an extra burden under the law to show there was no arm-twisting.

Ellen Roseman can be reached by writing Business c/o Toronto Star, 1 Yonge St., Toronto M5E 1E6; by phone at 416-945-8687; by fax at 416-865-3630; or at eroseman@thestar.ca.

Notes:

Questions to Ask: -



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 or 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.

We gratefully acknowledge the contribution of this article from Trimark Investment Management Inc.

Experts Consulted: Trimark (now AIMTrimark) would like to thank the following individuals for their assistance in preparing this brochure:

- Robert D. Finlayson, partner, Smith Lyons, Barristers Solicitors
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A Cornerstone® Planning Report

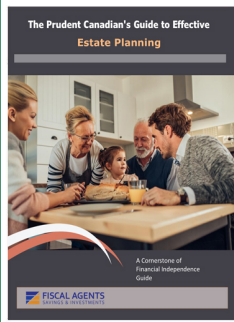
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Estate Planning



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.

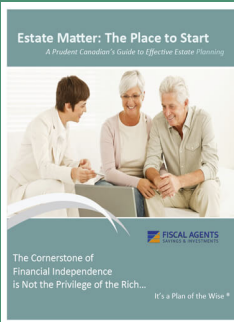
Estate Planning



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.

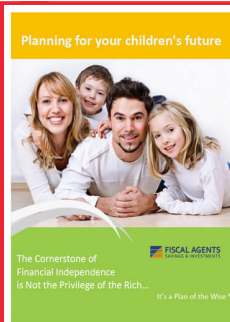
General Interest



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

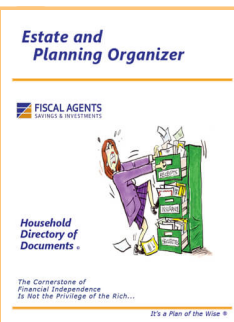


Planning for your children's future

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.