

The TaxLetter®

Vol. 36, No. 11

Your Guide to Tax-Saving Strategies

November 2018

ESTATEPLANNING

Avoidable Problems

Get Organized Now

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We are frequently contacted by people from across Canada, including many TaxLetter® readers, who seek our help to protect their families from financial fallout when the death of a spouse occurs.

Many requests for a free consultation are submitted by people with obvious male names, and sometimes, when we reach the man on the phone, their response is bewilderment, and “I didn’t call you”. And then, if their wife happens to be within earshot, we hear her ask “Who is that?”, soon followed by “It was me. I contacted them because you haven’t. I’ve asked you many times to do

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it, but you haven’t. We needed to protect our family”.

There are many reasons to explain that phenomenon. To begin, a clear majority of people are uncomfortable just thinking about death. So, it’s very easy for men (and women) to procrastinate and simply bury their heads in the sand.

Think about it!

Many successful business owners and professionals are so busy taking care of their customers, shareholders, bankers, employees, and suppliers, they neglect to take care of proper estate planning and wealth preservation for their own family.

This is reminiscent of what happened in my family. Like many people in those days (and currently), my parents simply didn’t discuss financial matters or what would happen if something untoward happened to one of them.

In 1974, when I was 11 years old, the youngest of four boys, my father suffered a fatal heart attack at the age of 50. Our mother, then 48, was forced to go back to work to pay the bills and support our family. There was no will, no life insurance, no key to a safety deposit box and no real savings.

It probably won’t surprise you that many couples have difficulty discussing finances at all, and most family squabbles and divorces involve that very topic.

It may be hard to discuss financial matters with a spouse or partner, but what will happen when one of you dies (and inevitably that will happen). The best time have that talk is right now, while everyone is healthy, options are available. Single people should also ensure they have all their ducks in order, especially by naming an executor.

As part of our continuing series dealing with lifecycle milestones, this is intended to provide you with the essentials, what you need to do right away, and what you should discuss with your spouse or partner.

The Essentials

Estate Planning Toolkit: Our free Estate Planning Toolkit includes an Estate Directory, Estate Planning Checklist, Executor Duties Checklist, and Business Owners Planning Guide. Details on how to get it appear at the end of this article.

Estate Planning Checklist:

Organize your estate efficiently and eliminate taxes with this valuable checklist, part of the Estate Planning Toolkit.

Estate Directory: Keep your estate information up to date. What if something happens to you? Will your spouse and children find every important document easily? Use the Estate Directory to help them locate your will, powers of attorney, life insurance, property deeds, banking and broker's accounts, contact info for accountants, lawyers, digital passwords, etc. It's part of our Estate Planning Toolkit.

Make a Will: I cannot write enough about the importance of having a will, the bedrock of estate planning. This document informs your executor how you want your finances divided when you die – how much you want to leave to your husband or wife, how much to the children and charity. These are your wishes.

Without a proper will your estate may pay unnecessary legal, accounting and probate fees and more taxes. In Ontario, if you die without a will, the law says that you have died "intestate," which means that you left no instructions as to how your property is to be divided and distributed. In these circumstances, the Ontario Succession Law Reform Act governs how your property will be distributed to your surviving relatives. Wouldn't you prefer to be the one who decides how your estate should be divided?

Preparing a will is not a one-time event. Review the will every year, preferably with your spouse so nothing comes as a surprise. As you do this, make note of the people who are set to

receive money after you die. Most people do not want to leave a portion of their estate to an ex-spouse or partner instead of a new spouse or fail to include a newborn child or grandchild. At the same time, review the beneficiaries of your life insurance and registered savings plans. The Estate Planning Checklist will assist you.

Executor: Appointing your executor(s) is another crucial legal issue. Who will have the legal responsibility to settle your estate after your death? This is someone you trust and a person you think will be able to handle financial issues and remain calm when dealing with emotional family members and other beneficiaries. This is especially true if you have a large estate which can take several years to wend its way through the legal process and to beneficiaries.

Our Executor's Duties Checklist will help you, it's part of the Estate Planning Toolkit.

RRSPs/RRIF: Keep it mind that there is no tax payable on those funds when one spouse leaves funds to another spouse from an RRSP or a RRIF. But after the death of the second spouse, the government automatically gets as much as 53.53 per cent (in Ontario) of your savings in those plans. Those taxes can be mitigated with proper planning, get professional help.

Life Insurance: Consider for a moment what you leave behind when you die. Life Insurance is a versatile financial instrument that enjoys special treatment under our Income Tax Act - all payouts are -tax-free. Life Insurance can look after your spouse, children and older parents. It also provides the necessary funds

to pay some or all the final tax bill on your estate.

Special needs: Some children or grandchildren may need more benefits than others. If you have a child or grandchild with special needs consider income-related strategies, like Henson Trusts. They provide government help and are the most tax-efficient way to save for a disabled child.

Charity: There are usually a handful of charitable organizations that you have been close to during your lifetime. The importance of charitable giving is something we highly prize and hope you pass down to your own children and grandchildren. You may want to think about starting a donor-advised fund within a public foundation, so your family can be personally involved in the doings of the charitable organization. Getting something done means that you can be remembered for leaving a generous cheque to charities you are passionate about instead of a big cheque to the tax department.

Powers of Attorney: While not part of a will, these documents are very important while you are alive. You will need two powers of attorney – one for your personal health and one for your personal property. These documents, when signed, give another person the legal authority to act on your behalf. There are many reasons to do this: you might be planning to be out of the country for a long period of time and have someone do your banking for you while you are gone. If you become ill, your trusted Power of Attorney can manage your property for you and make important decisions about your medical care. Tell your power of attorney, in


advance, with regards to your personal health, which treatments you don't want.

Funeral Arrangements: If you can, make sure you have paid for a burial plot and funeral parlour arrangements ahead of time.

Do it Now: While dying is something we don't want to contemplate, it will surely happen to all of us. Get started now by seeking help from a Certified Financial Planner and Trust & Estate Practitioner. This is a process, not an event. Our professional advisors are available across Canada to help. Please be in touch to arrange your free consultation.

Your efforts will pay off, and your death will be less painful for your family if you plan now while the sun is shining. And please let your spouse know your plans, so nothing comes as a shock.

In the meantime, I wish you a long life, secure in the knowledge you have truly done all you can for your family.

Please be in touch, we look forward to helping you. 

Mark Halpern is one of Canada's top life insurance advisors, a Certified Financial Planner (CFP), Trust and Estate Practitioner (TEP) and CEO of WEALTHinsurance.com®.

He guides successful business owners, who are already challenged for time, through the complex process of ensuring the people and

organizations they care about are taken care of. If you are like his other successful business owner clients, you are looking to reduce your tax obligations, preserve your wealth and leave a legacy. Incompletions rob us of energy. Mark collaborates with your professional advisory team to achieve your desired outcomes. His approach is simple. He makes sure what is important to you gets done. He gets you organized, provides a big picture view of your financial affairs, determines your strategy and helps you take action. He will simplify the complicated, so you and your family can rest easy. He can be reached at 416-364-2929, toll-free at 1-866-566-2001 or Mark@WEALTHinsurance.com.

Visit WEALTHinsurance.com

Get your FREE Estate Planning Toolkit at WEALTHinsurance.com/toolkits.html

The 2018 Toolkit now includes:

Estate Directory

Estate Planning Checklist

Executor Duties Checklist

Business Owners Planning Guide

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