

The TaxLetter®

Vol. 38, No. 7

Your Guide to Tax-Saving Strategies

July 2020

ESTATEPLANNING

Get Yourself Together

Make A To Do List

Mark Halpern, CFP, TEP, MFA-P

The economies of the world are slowly starting to re-open. In this country, depending on where you live, some people are enjoying meals on restaurant patios and getting their hair cut for the first time in months, while others will have to wait a bit longer. Still, we are all hoping that when it comes to COVID-19, the sun is starting to shine again.

But while some things are beginning to get back to “normal,” please remember that there are tasks you should get done right now while they are still top of mind. The list may look long, but when you read each entry, you might be surprised to see “incomplete” for things that you promised

Mark Halpern is a Certified Financial Planner (CFP), Trust and Estate Practitioner (TEP), Master Financial Advisor - Philanthropy (MFA-P) and one of Canada's top life insurance advisors. He is CEO of WEALTHinsurance.com® and illnessPROTECTION.com®, with special expertise for business owners, entrepreneurs, medical professionals and high-net worth individuals and their families. He can be reached at 416-364-2929, toll-free at 866-566-2001 or mark@WEALTHinsurance.com.

you would get done “someday.” Well, welcome to that day.

Look Ahead

Over almost 30 years of professional practice, I have tried to convince successful business owners, professionals and wealthy families that they need to look ahead and take care of their own health and insurance planning for the financial security of their family. Very few people listen. Unfortunately, it's taken a global plague to make people aware of the fact that people can and do get sick, they aren't going to last forever and things can happen fast!

Most people start out well-intentioned, but life often intervenes and sidetracks things. Here's an example of my own: Years ago, one of the toilets in my house started making a funny noise and it got to be quite bothersome. I did think about getting it fixed, and my wife reminded me many times, but we managed to deal with the noise until one

day that toilet flooded the entire second floor. The noise was indeed gone but the damages amounted to thousands of dollars. Had I dealt with the issue immediately we would have saved a lot of money and avoided all the hassles.

The federal government has now distributed billions of dollars to help Canadians – individuals, small business owners and large companies. The money has indeed helped Canadians, but it has also put the federal government deeper into debt.

That could mean everything from higher taxes or imposing new taxes like paying a levy on the sale of a principal residence and perhaps a wealth tax for families to pay annually. Pre-epidemic, the federal Liberals promised to introduce a luxury tax of 10 per cent on the sale of boats, cars and personal aircraft that cost more than \$100,000.

A To Do List

Here are some of the issues you should take care of now, while the sun is shining, for the sake of both you and your family.

Wills: This is the cornerstone of your estate plan. But according to a poll released earlier this year by Lawyers' Professional Indemnity Co. (Law-PRO), more than half (60 per cent) of Canadians do not have a signed will. The survey reported that 29 per cent of those who don't have a will say they don't know how to get started or can't

afford one. But you should know that if you don't have a properly signed will, the government has its own formula to distribute your assets. As a result, your beneficiaries may end up in court fighting the government, incurring thousands of dollars in legal fees, plus lots and lots of aggravation.

According to the LawPRO survey, many (88 per cent) of those between 27 and 34 do not have a will because they think they're too young. They don't realize that as soon as you get married, have a child or buy a home, you need a will.

When you are ready to have your will made, be sure you get in touch with a specialist, not a generalist – someone familiar with all the rules in your jurisdiction.

And if you own a business, ask about the importance of having a primary and a secondary will. The primary will should contain all the assets that need to be probated, like your principal residence and bank accounts. A secondary will deals with assets like shares in a private corporation that don't need to be probated.

Before you go to see your lawyer of choice, consider who you would like to be your executor (after you pass away), or powers of attorney (one for property and one for personal issues such as your health). And before they are named in your documents, ask those people if they are willing to take on these tasks and responsibilities.

Power of Attorney for property: This person will make financial decisions for you like paying your bills (using your money of course) and managing your investments if you are unable to do so. The name(s) of

this person should be on your Estate Directory (see below) to make matters easier for everyone. Likely it will be your spouse, another family member, close friend or trusted advisor. Be sure they are living in the same vicinity as yourself.

Power of Attorney for personal care: This person will make important decisions for you, if you are unable, on issues like personal health and the kind of medical care you want to receive if you become sick or injured. Before assigning such life-altering responsibilities, make it clear to this person exactly what your wishes are.

Many people don't pay enough attention to the importance of having powers of attorney. But let me tell you a true story about two sisters I knew from school. When we first met, their mother had suffered a stroke many years before and their father had been taking care of her. But a few years later, their father also suffered a stroke and now both parents were incapacitated and required round-the-clock personal care.

Neither parent had long-term care insurance, nor had they completed powers of attorney, which prevented the daughters from simply having access to the parents' bank accounts and other assets. On top of that, the two women had no idea where their parents kept any of their financial paperwork, let alone bank accounts and passwords, etc. In the absence of completed powers of attorney, a public trustee was appointed.

Together, the sisters were depleting their personal resources covering the costs of both parents in a long-term care

facility. I recommended professional help from an experienced estate lawyer who advocated for the sisters to the public trustee. After many months of family aggravation and unnecessary costs, the lawyer was able to successfully wrest control of assets away from the government and back into family hands.

Beneficiaries: There are many different reasons why a person or a charity would be named as a beneficiary in a will. It makes sense for parents to leave money to their adult children and their grandchildren, particularly if they have special needs. If you get divorced, make sure that you change the beneficiaries to your current family members. I have met people who haven't changed their RRSP beneficiaries from their ex-spouse or parents to current spouse. Get ready for a big surprise when this happens.

Executor: This is a crucial role for the family member, friend or professional you ask to complete the duties outlined in your will.

The executor administers your estate, based on the wishes outlined in your will and in accordance with all laws. You can have more than one executor but for the benefit of everyone concerned, they should agree on major issues.

The first step is for the executor to find a copy of the deceased's most recent will. You should tell your executor where you keep it so he or she isn't left scrambling to locate it. If it's in a safety deposit box or a safe on the wall hidden behind a picture, make sure the executor knows the correct combination.

Once that's done, you will

likely be required to obtain “letters of probate,” which is just the formal process of confirming the will and the authority of the executor. Once you get letters of probate, financial and other institutions will begin to deal with you.

Executors’ duties can include valuing assets, safeguarding the deceased’s assets (including property bills and insurance), notifying banks and credit card companies of the person’s death, applying for the Canada Pension Plan survivor’s benefit and identifying all the beneficiaries. One of the biggest jobs for the executor is administering the estate – which includes determining all assets and liabilities, filing final income tax returns and distributing the assets.

Depending on the complexity of the will, the executor may ask to have outside professionals brought in, and they will likely have to be paid.

Titles and ownership: Do you own your home? Is it joint ownership? What about your car? How many bank accounts, non-registered investment accounts and safety deposit boxes do you have? These are the sort of information an executor needs in order to properly execute your will.

Estate directory: Where do you keep everything? At the end of this TaxLetter®, you will find a link to my Estate Directory. Everything – and more – that you have read today will enable you to put together a comprehensive list of what your family and executor needs to

deal with, rather than running around looking for certain information, like your passwords, credit cards, bank accounts and the name of your lawyer (which is likely in that “drawer” or filing cabinet that everyone has). You don’t want your family members to become detectives trying to find things.

Too much money goes unclaimed in banks because the executor does not have the required information. In fact, at the end of last year, about 2.1 million unclaimed balances, worth \$888 million, were on the Bank of Canada’s books. More than 93 per cent of unclaimed balances were valued at under \$1,000, representing 26 per cent of the total value outstanding. In 2019, the Bank paid out \$8.5 million to balance holders. The oldest balance dates back to 1900.

This is the end of Part 1 of our must-have list. The second part of the list will come in our next TaxLetter and will contain important issues like life insurance, retirement and investment planning and planned giving.

I am obviously very passionate about the importance of having a will and life insurance. Why so? Because when I was 11 years old, my father died of a sudden heart attack at the age of 50. He left my mother and the four of us boys with no savings, no life insurance and no will. My mother had to go back to work at 48. The crux of this TaxLetter® article and in fact, all of our articles, is to get your mind working on what still needs to be done in your estate

plan to give you the peace of mind you deserve. Business owners and professionals are so busy with their professional lives they often neglect to deal with what matters most to them – their family.

There is no time like the present to get these things done.

Don’t hesitate to contact us for help with your planning. Our team of advisors across Canada is available to help you get the peace of mind that you deserve.

This is the first of 2 articles on the topic. □

Please visit our new website
WEALTHinsurance.com

Watch “The New Philanthropy”,
my recent “Ted Talk” at Moses
Znaimer’s ideacity conference
<http://bit.ly/MarkHalpern>

Mark Halpern is one of Canada’s top life insurance advisors, a Certified Financial Planner (CFP), Trust and Estate Practitioner (TEP), Master Financial Advisor – Philanthropy (MFA-P) 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 2019 Toolkit now includes:

Estate Directory

Estate Planning Checklist

Executor Duties Checklist

Business Owners Planning Guide

Visit MarkHalpernBlog.com and sign up for free updates.