The TaxLetter®

Vol. 36, No. 1 | Your Guide to Tax-Saving Strategies | January 2018

*ESTATE*PLANNING

Moving Forward, Looking Back

Ten Planning Essentials

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Happy, healthy and prosperous 2018 to you and your family. The start of a new year is always exciting and filled with optimism.

As the saying goes, "if we are to go forward, we must go back". When it comes to planning your financial future, going back will ensure that you have a solid foundation on which to build.

Proper financial planning, tax planning and estate planning is a process, not an event. Many people we meet have excellent professional advisors who are experts at solving problems. But no one is looking at their estate and risk planning from a 30,000-foot perspective, or taking a comprehensive approach.

Your Big Picture should include the following essentials:

1. **Make sure you have an updated will**. A study by RBC Wealth Management last year reported that just over half the people canvassed had a will in place. One in three had done nothing at all to prepare for passing on wealth to the next generation.

In Ontario, for example, when a person dies "intestate" (without a valid will), provincial bureaucrats determine how the estate is distributed under the Succession Law Reform Act.

Many people without a will mistakenly assume their estate will automatically move to their spouse tax-free. Each province has its own rules about beneficiaries and how they are treated in the absence of a will. Engage a lawyer who specializes in wills to develop yours.

Depending on your personal situation, one will may not be enough. You may need two wills, a primary will for personal assets, and a secondary one for business. The latter can eliminate probate taxes.

Probate fees in Ontario (aka Estate Administrative Taxes) amount to 1.5 percent of the value of assets flowing through the will probated in court. The simple step of proper planning will save you $15,000 on every $1 million of assets.

2. **Powers of Attorney**. Your need two Powers of Attorney – one for your legal affairs, and another for your health and personal care. Those individuals will be making important decisions about your health and wealth if you are unable to do so. Choose them wisely, and be sure to discuss your wishes with them before conferring such enormous responsibilities upon them.

3. **Assets held jointly**. It's often a good idea to own assets, like properties, as joint tenants, which avoids probate tax. When a property is owned by joint tenants, the interest of a deceased owner automatically gets transferred to the remaining surviving owners.

In some cases, especially for creditor protection reasons, it may be better to own an asset in one person's name only. Again, this points to the need for a specialist to help you out.

4. **Beneficiaries**. Your list of beneficiaries must be kept cur-

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rent and up to date. Most people don't walk down the aisle as frequently as talk show legend Larry King, who has been married eight times to seven women. Now that half of Canadian marriages end in divorce, your beneficiaries list should be revisited frequently, especially when you say, "I do".

According to Statistics Canada, more than one in five Canadians who does remarry, leaves their second spouse within an average 7.6 years. The last thing you want to do is leave your money to an ex-spouse's children instead of your own.

5. **Estate directory**. It's impossible to remember absolutely everything you need to have on hand for your spouse, children and executors if something happens to you.

You need to complete the 2018 Estate Directory, available free at our website. You can easily input and update information on the whereabouts of your wills, insurance policies, bank accounts, brokerage accounts, etc. to help your survivors wind up your personal affairs in an orderly manner. See details at the bottom of this article.

6. **Life insurance**. The importance of life insurance cannot be over-emphasized. It's the most cost-effective and tax-effective financial instrument available in Canada, and it enjoys unique treatment under the Income Tax Act. Life insurance benefits flow entirely tax-free, bypassing wills and probate fees. Most importantly, it provides financial security for your family when you're gone, covers your tax liabilities, underpins your Shareholders' Agreement, and guarantees payment to your family for your shares in a co-owned company when you die. It also designates funds to your favourite charity, creating an enduring legacy. These are just a few of the merits of owning a life insurance policy.

The life insurance you acquired in the past may not be appropriate today. I compare this to having old financial furniture that doesn't fit your current architecture.

A policy purchased years ago to protect your spouse and young family probably isn't sufficient today. If you were a smoker at the time and an ex-smoker now, you may be paying twice the required premium today, if the insurance company doesn't know you butted-out. Many people in their 60s are paying for disability policies that will expire at 65.

Contact us for a comprehensive review of your current insurance portfolio, and be sure you are paying for what you want and need, not for what you forgot you had.

7. **Other insurance**: We live in a great country, with an overstressed health care system that provides universal coverage (and long wait times for treatment) paid for by our taxes. But all those taxes aren't enough to get you the specialized care you need as quickly as you want it.

Best Doctors Insurance® provides immediate access to the finest healthcare at Centres of Excellence around the world, with a $5 million lifetime fund to pay for the treatment costs. Service providers are paid directly (it's not a reimbursement plan) for tests, procedures, treatments and surgeries not available in Canada. I own such a policy myself.

The cost of long-term care can easily exceed $10,000 a month, and will rapidly deplete your retirement savings, putting a financial strain on your spouse and family.

The financial costs of long-term care or suffering a critical illness are very significant. Use insurance as a hedge with policies that include a return of premium option, so if no claim is made you get back all the premiums paid.

Check the fine print of your company benefits booklet. You may discover the long-term disability coverage is insufficient and will only pay out to a maximum of $10,000 a month, all of it fully taxable.

High-limit disability insurance is now available with coverage of up to $150,000 a month or $2 million per year, all non-taxable.

Don't forget travel insurance. The right travel insurance policy can save you hundreds of thousands very quickly.

8. **Health benefits**. Know what's covered by your company benefits and what's not. Your company may have what's known as "flex" benefits, allowing you to choose how/where to 'spend' your eligible health dollars, or a wider choice of benefits where everyone receives the same coverage. If you have a special issue, seek advice from a specialist who can help you get the coverage you need without any overlap.

9. **Retirement planning**. A good plan starts with knowing what you want to do with your money, like paying off your mortgage, paying university tuitions for your kids, helping them buy a home, and travelling the world.

In retirement, the salary you've grown accustomed to will no longer be available, and you may be unemployed for several decades.

When it comes to retirement planning, you need the help of a Certified Financial Planner to ensure you are on the right track and protected from unwelcome surprises.

10. **Charity**. You have three possible beneficiaries when you pass away: family, charity and the Canada Revenue Agency (CRA). Few TaxLetter® readers would select the CRA.

There are many ways to give to charity – whether you want to donate now or in the future. The most cost-effective way to provide for charity is through life insurance, which usually results in a much larger gift than if you had donated cash. If you are over 65 and collecting CPP, consider using the CPP Philanthropy™ strategy, the subject of my Oct 2017 article.

Aside from the tax benefits available, you will demonstrate, and teach by example, the importance of charitable values to younger generations. Be remembered for your thoughtful donations and not for leaving your hard-earned money to the CRA.

The start of a new year is the perfect time to act on the issues described above. Prepare now for whatever lies ahead and enjoy the peace of mind that comes from knowing you have planned appropriately.

Proper planning is not a do-it-yourself project. Get help from a seasoned and impartial estate planning professional. If you have already done estate planning, contact us to obtain a no-obligation second opinion. There are only two possible outcomes: it will confirm that your planning is in order, or reveal defects that can be remedied while the sun is still shining.

Our experienced advisors are available across the country to help you.

Have a great 2018. ❑

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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 to 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
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