

Authored By:



A handwritten signature in blue ink that reads "Mark Huber". The signature is fluid and cursive, written on a light yellow rectangular background.

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**SetForLife Financial Services**  
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## **Test Your Will and Estate Planning IQ**

### **True or False**

1. If I die without a will, all of my assets will automatically go to my spouse.
2. I am not wealthy and I have no estate. Therefore, I do not need a will and I do not need to do any estate planning.
3. The person I name as executor under my will has the legal authority to deal with my financial affairs during my lifetime, if I become physically or mentally incapacitated.
4. When I die, if I leave a cash bequest to various people under my will, inheritance taxes will be payable.
5. The value of the investments within my RRSP at the time of death will be subject to income tax on my final tax return, unless my spouse survives me and receives my RRSP investments.
6. If any investments or other assets I own at the time of death are worth more than I paid for them, the unrealized capital gains are subject to income tax on my final income tax return.
7. The unrealized capital gain on my principal residence at the time of my death is usually exempt from capital gains taxation.
8. Any donations that I list in my will that are to go to registered charities will usually be tax deductible in the final income tax return for the year of my death.
9. A Canadian resident (and citizen of Canada) who owns property in the United States can never be subject to U.S. estate tax.
10. Life insurance that is payable to my estate or named beneficiary after my death will be subject to income tax in the recipient's hands.

## **Answers**

1. **False.** If a person dies intestate (without a will), the surviving spouse will not necessarily inherit the entire estate. Provincial intestacy legislation comes into play and stipulates what portion of the individual's assets goes to the spouse, and how much goes to each of the children. The spouse does not get everything.
2. **False.** Estate planning can be simple or complex. You might own just a few investments, or have a registered retirement savings plan, or perhaps you own a house or a condominium. Regardless of how wealthy you are, you owe it to your family to plan your estate to ensure that your assets are distributed smoothly, and in accordance with your wishes, after your death.
3. **False.** A person who is named as an executor under a will has no legal authority to act until after the death of the individual concerned. In order to empower one or more people to handle your affairs while you are alive, you must grant them power of attorney.
4. **False.** In Canada, there are no longer any estate taxes or inheritance taxes. Generally, no taxes are payable on cash bequests under a person's will, except in certain situations such as where the money is coming from an RRSP or registered retirement income fund (RRIF).
5. **True.** Normally, the full value of RRSP and RRIF accounts at the time of death is subject to income tax in the deceased person's final income tax return.
6. **True.** Since January, 1971, Canada has imposed income tax on unrealized capital gains as of the date of a person's death. However, there are exceptions to the rule, such as where assets are left to a surviving spouse.
7. **True.** One of the most important exceptions from capital gains taxation is for a person's principal residence. This is a defined term that can cover a house, a cottage, a ski chalet, or even a mobile home.
8. **True.** Charitable donations to eligible charities and other non-profit organizations under a person's will are generally tax deductible in the deceased's final income tax return. Depending on your tax bracket, you can achieve substantial income tax savings by remembering your favourite charities in your will.

9. **False.** If certain types of U.S. assets, such as real estate or U.S. securities, are owned at the time of death, U.S. estate taxes may be payable. Whether this tax applies, and at what rate, depends on a number of factors, including the size of the estate and the value of the U.S. assets.
10. **False.** Life insurance is treated very favourably under the Canadian tax legislation. The entire amount of life insurance payable on death, regardless of the type of insurance, is tax-free in the recipient's hands, and does not attract any tax in the deceased's estate.

Well? How did you do?

That was just a warm up for the main event...

### **Are You Like Sammy Davis Jr.?**

In 1990 the world lost one of its greatest entertainers, Sammy Davis Jr. He thrilled audiences for years with his incredible talents. Unfortunately he failed miserably in one area--the ability to plan and manage his finances.

It was widely reported that Sammy's wife was forced to hold an auction in an effort to raise the \$7 million U.S. federal estate tax bill he left behind. With the help of a fundraiser she sold literally every personal memento from his tap shoes, to his gold record award for the hit song The Candy Man. The event was a success, but raised only \$439,000, only a fraction of the massive tax bill. It certainly was not Sammy's goal to leave his wife with massive estate tax debts, but like many individuals he simply did not have a plan.

Let's hope this story is an example for you.

Remember, there are no survivors in life!

The real tragedy in this scenario is not just the loss you suffer when a loved one is gone, but add to that the grief of finding that the estate settlement costs, which includes CCRA, may devalue your hard earned estate by as much as over 50%.

What most people don't know is that to structure an estate that will minimize taxes and avoid probate expenses is actually not that complicated.

However, most Canadians continue to procrastinate.

Whether it's out of fear of their own mortality, the assumption that the value of their estate is not substantial enough, or they think the process is too complicated.

The fact remains, when you take into account personal items, including real estate, cars, insurance policies, savings, etc., many find their estate to be much larger than expected.

### **Estate Planning – An Introduction**

We all have one! An estate I mean.

It is comprised of what we have and are worth now - at this very moment. This is known as our "living estate".

However, when we die we "say goodbye" to our estate. This is known as our "death estate".

Yet, with the proper planning more of our estates – both "living" and "death" estates can be passed on to our loved ones, heirs or favourite charities.

How many of you are doing anything about it? Either for yourselves OR for your parents?

There are many legal strategies and courses of action that can AND DO effectively "disinherit" Revenue Canada from our years of hard work and effort...

Financial planning is the art of creating wealth.

Estate planning is the art of preserving your assets and wealth and using the most beneficial and efficient ways to use and disperse your wealth both while you are alive and when you die...

So...the estate planning process should start out well before it is needed.

The estate plan deals with the owner of assets arranging his/her affairs so as to enjoy the benefits while alive as well as to accomplish their personal wishes after their death. Estate planning covers not only personal wishes but when done effectively will provide a tax effective transfer of estate assets at death.

Estate planning should be a financial priority at almost any stage of life. In fact, an estate plan is absolutely essential for organizing your financial affairs and providing for the well being of your family members.

Simply put, an estate plan is written documentation of how you want your assets to be owned, managed and preserved during your lifetime and how you want them

dispersed after your death.

Why is it important to have a plan? To ensure a simple, tax-efficient and organized transfer of your assets to loved ones.

When you start your plan, there's a lot to think about.

You want to live your life to the fullest, and ensure that your heirs will get the most out of the assets you're setting aside for them.

Here are a few of the things you'll need to know:

## **Your Will – A Must**

Planning may not always start with a will but it should always end with a will!

The will is the roadmap for planning your estate and should be updated on an ongoing basis - particularly as your circumstances change throughout your life.

A will is quick and easy to produce and should specify the following:

- the executor for your estate
- naming a guardian if beneficiaries are under age
- your beneficiaries
- what they receive and how they receive it
- instructions for funeral arrangements
- payment of debt and
- any information about trusts

Experts suggest that you have your will drawn up by a lawyer. Handwritten or holograph wills are not recommended. Each province has different rules about handwritten wills, and if you are not careful, your final wishes may not be observed. A professional can explain various ways to distribute your property, assure that your designations stand up in court and advise you on the latest family, estate and probate laws.

It is important to review your will every few years and after any new financial or personal event, such as a wedding, the birth of a child or grandchild, a divorce or a move outside of the province.

Oh, and don't forget about funeral planning. Clients who leave detailed instructions—or who pay for their funerals in advance—can significantly reduce the stress suffered by loved ones during times of grief.

At **Funeral.com**, <http://www.funeral.com/> for example, there's a list of themes including the Candle in the Wind Cremation and the Gone Fishing Burial. Each plan offers suggestions for caskets, memorial objects, music, and an outline of a 20- to 30-minute ceremony.

**The Funeral Consumers Alliance** <http://www.funerals.org/> is a non profit organization also offering similar help.

Furthermore, once you marry or remarry, any previous will is void (except in Quebec), unless it was drafted for the nuptials. A will is not invalidated if you separate. But in the case of divorce, bequests made to your former spouse will be void. Your survivors can expect unnecessary delay and expense if you have failed to change your will to reflect your new marital status.

If you should die without a will (referred to as intestate), the province you reside in will step in to administer your estate using a formula. In this case, you've essentially forfeited your say on how things are divided and who will be in charge of the process.

A will also ensures that the government gets no more than what they are legally entitled to.

### **What is Power of Attorney?**

The person you designate Power of Attorney (POA) is authorized to make financial decisions and sign documents; essentially they manage your affairs if you cannot because of illness or injury. This "attorney" need not be a lawyer but should be trustworthy, since she/he will have the power to make or redeem investments and sell your property on your behalf.

You can limit the attorney's power to dealing with only certain assets or you can name several attorneys and oblige them to act jointly. In some provinces, attorneys can also make decisions about your medical and personal care. An "enduring" POA can also be created, allowing the attorney to act if you become mentally incompetent.

In the event a power of attorney is not named the individual who accepts responsibility for the task must still spend \$2,000 to get named as the legal power of attorney. Furthermore, a performance bond must be posted. This creates valuable time lost, not to mention the headaches and the money spent to comply with the law.

If no one has POA, the courts will tie up your property, which can result in the inability to renew a mortgage and make investments until your spouse is judged fit

for the job. Otherwise, every decision will have to go through a public trustee, who in some provinces cannot even make investment choices.

The Representation Agreement Act is a new law in B.C which came into effect on February 28, 2000. This new law allows you to appoint someone you trust (such as a spouse, friend or a family member) to make financial, legal, health or personal care decisions for you if necessary. The legislation will replace enduring "Power of Attorney" with "Representation Agreements".

As a result of these changes, after 4 September, 2000, it will no longer be possible to grant an enduring Power of Attorney under the law of British Columbia.

However, enduring Powers of Attorney properly prepared and signed before that date will continue to be valid.

### **What is a Representation Agreement?**

As noted earlier, The Representation Agreement Act is a new law in B.C which came into effect on February 28, 2000. This legislation replaces enduring "Powers of Attorney" with "Representation Agreements".

A representation agreement is a way to ensure that if you need help managing your affairs, you will get it from people you choose and trust. It is also a way to ensure your wishes and values will be honoured.

Representation Agreements speak for you while you are living.

(Conversely, wills speak for you after your death.)

For example, if an individual were injured in an accident and lay unconscious in hospital, their Representative could get money from the bank account to pay important bills, hire a lawyer to file a suit over the accident, and give consent to doctors for medical treatment such as surgery.

### **Who Can Make a Representation Agreement?**

Anyone 19 years or older can make a representation agreement. The law states that people who cannot make a traditional contract or manage their own affairs may make a representation agreement with standard powers.

It is a good idea for every adult to have an agreement in place (especially if children and property are involved). A Representative can both help you make decisions now and represent you if can't to speak for yourself in the future.

### **For example:**

- Married couples do **NOT** automatically have the right to handle their husband or wife's affairs if their spouse is injured or ill.

Your spouse does **NOT** have the right to take money from your bank account, get confidential information (such as income tax information), or sell a jointly owned car unless you have made a power of attorney or a representation agreement. If there is no legal agreement in place, the spouse must hire a lawyer and go to court, which takes time, costs money and may require posting of a bond.

- Some people have made enduring powers of attorney, but these do not cover health and personal care decisions such as consent for medical treatment or making arrangements for home care.
- Many people prefer to have a close friend make personal and medical decisions for them instead of family members, but under the law doctors must ask family members for consent unless you appoint a legal Representative.
- People without a legal Representative or any family members able to act for them may have their affairs turned over to the government to manage and be placed under "public guardianship". Now tell me – would you want that?

### **Standard Powers**

A representation agreement with standard powers is an agreement that covers most personal, health care, legal and routine management of financial affairs.

The law says that everyone is presumed capable and people who cannot make a traditional contract or manage their affairs by themselves may make a representation agreement with standard powers.

Standard powers give your Representative the legal authority to:

- deposit and withdraw money from your bank account, pay your bills, and renew loans or insurance
- apply for benefits for you, such as a pension
- make some basic investments for you, such as GIC's and savings bonds
- file your income tax returns

- sell your car (if you are not using it and need money)
- get legal advice or hire a lawyer to defend or settle legal problems (except divorce)
- make arrangements for home support and where you will live and with whom
- give consent for major and minor health care including surgery and dental care

### **Broader Powers (enhanced provisions)**

You can also make an agreement which gives your Representative broader powers, such as selling your home or refusing life support treatment for you. You may hear these called “enhanced agreements” because these powers are in addition to the standard ones. These broader powers may include:

- buying or selling real estate
- making major investments of your money which are not allowed by an agreement with standard powers
- running your business for you
- making temporary arrangements for your children or other dependents
- giving consent for health care you may disagree with when ill but you agreed with when you made the agreement.
- refusing life-supporting health care or treatment.

This type of agreement gives your Representatives the maximum power and flexibility to handle your affairs.

### **Who Can Be A Legal Guardian?**

Now if you are a parent you typically have two top priorities: naming a guardian for you minor children and selecting someone—sometimes the same individual—to manage your property on behalf of your underage kids if you pass on prematurely.

A legal guardian is an adult designated to care for your child in the event that you as the parent or both die before the child reaches legal age. While the thought of someone else caring for your child might make you shudder, you need to choose a guardian so the courts don't do it for you. If you think that your mother or sister will automatically receive custody of your child if you die, you're mistaken. Unless you specifically state in your will that you want your mother, sister, or someone else to be your child's guardian, anyone can step forward and ask for the job, and a judge will decide who wins custody.

Many parents also name an alternate guardian in case their first choice is unwilling or unable to accept the responsibility.

**Side Bar: Insurance Trusts** - There are many situations where you might benefit from an insurance trust set up at the time of your death – this is a Trust for minors.

If you die while your beneficiaries are still minors, you'll have a problem leaving the insurance proceeds directly to them.

In Ontario, for example, the insurance law requires the insurer to pay insurance proceeds into court where a minor has been named beneficiary. A parent or guardian will then have to apply to the court for permission to make interim payments out of the funds, with the child taking full possession of the cash at the age of majority. Bad idea! Having the proceeds paid into a trust created upon your death, where the cash can be controlled by the trustee, makes more sense.

Setting up a trust in your will for a beneficiary can be an ideal way to control money left to a minor or to ensure that a free-spending heir does not squander the inheritance all at once. You can stipulate a payment schedule, such as month-to-month instalments or portions of cash over a specified number of years. You will have to name a trustee, either a company or an individual, to carry out the terms of the trust. You should be aware that trusts can be taxed.

But you need a will to make this all happen! So get one, eh?

### **What Is The Role Of The Executor?**

The executor of your estate should be someone you trust and preferably someone who is the same age or younger than you are, since this person will manage your property from the time of your death until all your assets are distributed. Your executor will have several responsibilities, including arranging the funeral, probate for the will, filing pension and insurance claims, and paying debts and taxes.

(This is actually a huge responsibility with liability ramifications! If for example, there are not enough assets in the estate to pay the final taxes to CCRA – the executor is held personally responsible and liable to pay those taxes!)

Usually the executor is a spouse, relative or close friend, although a lawyer or a trust company can be named.

Make sure that you first ask whoever you choose and that they are willing to take on the job. You should also name a second choice, in case the first is unwilling or unable to execute your will.

Try to select someone who lives nearby or traveling expenses incurred will be deducted from your estate. As well, if your executor lives in another province, a performance bond may have to be posted. If no executor is named, the court will appoint someone.

## **What is Probate?**

Probate is the process by which a provincial court confirms the validity of your will. Potentially, it can be quite time consuming, tying up your assets for months or longer.

Probate fees are essentially the taxes that must be paid to the provincial government before your executor can begin to administer your will. The fees vary from province to province and are based on the value of the assets in your estate. In most provinces, the fee structure is tiered.

In addition to probate fees, there are fees payable to the executor for administration services and fees payable for legal and accounting services. In the end, the cost of probate can be significant.

Probate is an official document issued by a court that certifies a person's will has been proved and registered, and that the administration of the estate has been transferred to the executors. The process is necessary before money and other assets identified in the will can be distributed.

B.C. has one of the highest probate rates in the country at \$14 per \$1,000 of estate value over \$50,000.

## **Estate Planning for the 3 Stages of Life**

The 3 basic stages of your financial and estate planning life are as follows:

When you are -

### **New Parents: 20's – 30's – Accumulation Phase**

#### **The Profile:**

Typically are with or without children and are looking to reduce debt or pay down a mortgage, purchase insurance and save for their children's education.

**The Issues:**

- Prepare wills
- Name each other as having power of attorney on the other
- Choose guardians for children
- Designate spouse as the beneficiary on RRSPs and insurance and as joint owner of the home so these assets pass outside the will
- Set up trusts for children - "In Trust For", RESPs, or "true" trusts - and name trustees
- Use life and disability insurance to pay debt and provide income

**Empty Nesters: 40's – 60's – Accumulation/Preservation Phase****The Profile:**

Typically, if they have children they are approaching university, are interested in building financial security and their retirement savings, may have an investment property, are saving for their children's education and have aging parents.

Or are "empty nesters" or have no children, are very concerned about retirement planning and have geriatric parents.

**The Issues:**

- Ensure you have adequate retirement savings
- Consider additional health-related insurance to protect savings
- Consider an estate freeze for a business or cottage
- Consider trusts to pass assets to adult and child heirs
- Consider transferring wealth now to save probate fees
- Use life insurance to pay taxes and probate fees

**Retirees: 70's – 90's - Preservation/Pay Out Phase****The Profile:**

Typically age "empty nesters" at this point or have no children and are concerned about generating income for retirement and preserving their estate for the next generation.

**The Issues:**

- Ensure adequate retirement savings
- Consider passing assets directly to grandchildren in trust
- Consider charitable donations, (charitable annuities, charitable remainder trusts, direct donations, life insurance) partly for tax benefits
- Consider a living will and naming a power of attorney for personal care
- If a spouse of heir is not a Canadian citizen, or if there is property held outside Canada, it's critical to examine tax implications
- Use life insurance to pay taxes and probate fees or to leave to beneficiaries

**Note:** The above is no attempt to be an exhaustive list of the various issues, concerns or ideas for estate planning but rather it is intended to indicate that estate planning is a fluid and ongoing exercise.

If you have a will, upon your death it is your executor's responsibility to file a tax return for you. The government will consider you to have sold all your assets immediately before your death and any capital gains/losses will be crystallized.

That may lead to a big tax bill!

### **How Can I Minimize Taxes On My Estate?**

Depending on your individual needs, there are strategies you can employ within your estate plan to minimize the amount of taxes you have to pay and to avoid probate.

Below are a few key examples:

- Maximize asset "roll-overs" - transfers to your spouse that defer capital gains liabilities
- Get advice on setting up a trust to ensure your beneficiaries are well looked after
- Give gifts of cash or possessions while you are still alive
- Consider charitable donations to create valuable tax benefits
- Buy life insurance that is paid out to the beneficiary on a tax free basis
- Restructure investments with insurance companies to avoid probate on death

Remember, your assets will be held until your will is validated and may not be available when taxes are due. A proper insurance plan, therefore, is the most economical way to cover any tax liability. In fact, if the plan's beneficiary is a person, rather than your estate, the estate can be available immediately and probate fees avoided. The most important thing here is to seek sound advice. Paying a couple of hundred dollars to save thousands is a pretty good investment.

Some assets can bypass your will and go directly to your beneficiaries. These do not need to be probated through the court. They include: registered retirement savings plans, pension plans, life insurance investment funds (segregated funds), annuities, assets in certain types of trusts established while you were still alive and joint tenancy property.

Two types of joint ownership exist in Canada. "Joint tenancy with right of survivorship" allows the co-owner to become full owner after a death. Under "tenants in common" ownership, property remains separate.

Making plans for what happens after your death may be depressing, but your heirs/family will greatly appreciate your efforts to ensure your estate is in order, with bequests made, executors and guardians named and legalities verified.

Effective planning and arrangements will spare them from dealing with these issues at a time when they will be distressed enough by losing you!

## **Estate Planning Tips, Tools & Strategies**

### **Joint Ownership – Tenants In Common vs. Joint Tenancy With Right of Survivorship (JTWRS)**

The term "joint ownership" is loosely used to describe one of two common legal relationships: tenants in common, or joint tenancy with right of survivorship.

The difference?

Tenants in common owners each hold separate ownership interests that can generally be sold or transferred without the consent of the other owners. When one of the owners dies, that share of the asset is transferred via the owner's will to his intended heirs and beneficiaries.

Joint tenancy with right of survivorship (JTWRS) is different.

The survivorship feature means that when an individual joint tenant dies, the deceased person's interest is automatically distributed to the remaining joint tenants.

Think of this as a "winner takes all" game. The asset will pass to the surviving owners outside of the probate process. The result? Probate fees are avoided.

## **The problems**

There are problems to holding an asset with joint tenancy.

In addition to triggering a potential tax bill when adding a joint owner (which can happen since you are generally transferring beneficial ownership i.e. a home, rental property, bank accounts, etc.), and subjecting the asset(s) to any creditors of the other owner(s), consider four other drawbacks.

### **Unintended distribution of assets**

There is no requirement for the child who is the joint owner to share that asset with anyone else. Often parents will name a particular child as an owner in joint tenancy with the expectation that the other children will also share the asset when the parent dies. Think again!

### **Control over the asset is gone**

Holding an asset in joint tenancy will cause you to give up control over the management and disposition of the asset. You'll need the consent of your joint tenant to do anything of significance.

### **Creates taxes on a residence**

Many people like the idea of placing their home in joint tenancy with an adult child to avoid probate fees. If that child already owns her own residence, or is expected to purchase a home, she may eventually pay tax on the sale of one of the properties since she'll be entitled to fully shelter just one residence from tax using her principal residence exemption. It may be possible to shelter both homes from tax if you avoid joint tenancy.

### **Joint tenancy cannot be undone**

If you decide later that you'd like to take back full ownership of the asset yourself, it'll be too late. This won't happen without the consent of the joint owner.

## **Gifts**

This is a simple but effective way to reduce probate and taxes on death.

Give gifts of cash or possessions while you are still alive!

Yes, you will lose control of those assets. You will pay taxes on any gains "crystallized" on the disposition at time of gifting.

However, you will benefit by helping your beneficiaries when they need it most –

and you will be helping yourself and them again later – when on death you will be leaving a smaller estate on which taxes and probate will be calculated on...

### **GICs vs. Mutual Funds vs. Segregated Funds**

The following illustrates the features of the most common investment products and how they compare.

#### ***Product Type Comparison***

<b>Attribute</b>	<b>GICs/Term Deposits</b>	<b>Mutual Funds</b>	<b>Segregated Funds</b>
<b>Provides opportunity for capital growth based on equity markets</b>	No	Yes	Yes (May have slightly higher Management Expense Ratios than the underlying mutual fund to cover the cost of insurance protection)
<b>Purchases are guaranteed</b>	Yes (Guaranteed by the issuing financial institution)	No (Individual securities in some funds may be guaranteed (e.g. T-bills))	Yes (Maturity guarantees provide protection of 75%- 100% of purchases depending on company)
<b>Provides a fixed return</b>	Yes	No	Yes (Some minimum returns guaranteed)

			at maturity depending on company)
<b>Provides a death benefit</b>	No	No	Yes
<b>Provides liquidity</b>	Limited	Yes	Yes
<b>Provides asset diversification</b>	No	Yes	Yes
<b>Can be passed to heirs without probate fees</b>	No	No	Yes (If beneficiary is named)
<b>Provides potential protection from creditors</b>	No	No	Yes (If certain conditions are met)
<b>Asset protection</b>	Yes (By CDIC up to \$60,000)	Not applicable	Yes (By CompCorp up to \$60,000)
<b>Allows resets to lock in gains</b>	Not Applicable	No	Yes

## Segregated Funds – Little Known Features

***Because segregated funds are distributed through insurance companies they have fall under the jurisdiction of Insurance Legislation and as such offer many distinct features over other investments!***

### **1. Resets or “Building In Your Own Profit”**

With insurance-based investments (registered and non-registered, your investment is protected against losses in the markets with a death benefit guarantee. If the market value is down when you pass on, the amount of your deposit is protected. Your named beneficiaries will receive up to 100% of your original investment and, depending on the options you select; the amount could be considerably more. Of course, if the market value is higher, that's the amount they'll receive.

Example: You invested \$25,000 and the value now is \$30,000. You can now exercise an option to "lock-in" that \$5,000 or 20% gain, eliminating any future downside and increasing the amount guaranteed at death or maturity. Usually, you can lock-in more than once annually.

## **2. Creditor Proof**

With a named beneficiary, your RRSP and non registered segregated funds normally will be protected from your creditors. This is not so with any existing RRSP or non registered mutual funds. This is an important distinction for business owners.

## **3. Probate**

With a named beneficiary, your RRSP AND non registered segregated funds go directly to your beneficiary – bypassing probate fees – for often significant savings.

## **4. Tax Advantages**

### **Tax Losses**

It is widely known that segregated funds offer advantages over mutual funds in terms of maturity and mortality guarantees and creditor protection.

But, another feature that is less publicized are the tax advantages. If a segregated fund loses capital in a given year, the unit holders can claim the capital loss on their taxes and offset any capital gains made on other investments. Mutual fund investors cannot do this.

The reason behind this is that while taxation rules permit seg funds to allocate out gains and losses, mutual fund companies do not have the ability to allocate - they must distribute gains or losses. Distributing and allocating are two different things.

With distribution, you must physically distribute the dollars out and you can't physically distribute a loss. If a person invests \$1000 in a seg fund and it's worth \$900 by the end of the year, he or she can receive a T3 form showing negative \$100. This can be used to offset a capital gain on another investment. Or the loss can go back 3 years or forward indefinitely.

In the same situation, a mutual fund holder could not declare the loss unless he had already cashed it in.

### **Tax Efficiency**

The mutual fund advertisements shout higher and higher yields, often trying to sell you on short-term performance. While high performance is obviously important, it is the volatility of the longer-term performance that tells a more useful story.

And for non-registered investments, how much of that growth is reportable as income each year is perhaps even more important, since it is the after-tax performance that ultimately counts. "Tax Efficiency" refers to the proportion of an investment's annual growth that is not subject to annual taxation. It also

incorporates the effective tax rates for various types of income, to produce a measure of how much growth you actually keep.

For instance, a bank account that produces interest income is only 50% efficient, assuming a 50% marginal tax rate, since every cent of income is reportable each year, and that income receives no preferential tax treatment.

Conversely assuming a personal 50% tax rate, funds that generate dividend income, rather than interest or capital gains income, will tend to be more tax efficient, since dividends are taxed at 36% and capital gains 39%.

In general, a "buy and hold" strategy will improve the tax efficiency of any fund, since a significant portion of the fund growth is in the form of unrealized capital gains – i.e., paper profits that would only be reportable if the fund manager sold the underlying securities.

### **Tax Friendly Income**

The most effective and tax-friendly way to generate a steady investment income is to set up a segregated fund withdrawal plan. It's one of the best features of segregated funds. These withdrawal plans, set up for investments outside RRSP's, create significant tax benefits.

The most obvious attraction is that you have complete control over how much income you get, when you get it and for how long it lasts. By contrast, the far better known "annuity", involves a trade of your capital in return for a guaranteed income amount.

Let's say you invest \$100,000 in an equity or equity index fund at \$10 per unit which grows by 10 percent in year one and that is the amount you plan to withdraw. It would appear that a \$10,000 capital gain will be realized the sale of the units, but this is not the case.

The actual realized gain is the difference between the purchase price of \$10 and the current market value of \$11 or \$1 per unit. You need to redeem 909 units to generate \$10,000. Thus  $909 \times \$1$  or \$909 is your gain. Under the current tax law, 50% of that gain is taxable. That's \$455. Assuming you have to pay the average top marginal tax rate of 50%, your total tax exposure for income of \$10,000 per year is a mere \$228.

Contrast that with a GIC.

Assuming you're in the top bracket, the annual tax hit on income of \$10,000 is a staggering \$5000.

And here's another benefit.

As you won't have as much reportable income while still maintaining your cash flow, you will minimize or eliminate the clawback of your Old Age Security benefits.

Add to this a guarantee of the return of up to 100% of your capital at maturity or death, less withdrawals and you have a great income plan for at least part of your capital.

## **Trusts – "inter vivos" and "testamentary"**

The legal concept of a trust dates back over 600 years to the Middle Ages in Britain. It began as a means of dividing rights to land, and today its uses include business planning, creditor protection, protective care, charitable giving and tax advantages.

There's a lot of advice and discussion around the use of trusts in financial planning.

What is a trust and how does it work?

There are two types of trusts for individuals -- inter-vivos and testamentary.

An inter-vivos trust is set up during one's lifetime for the benefit of others.

A testamentary trust is established upon your death with the details outlined in the will.

A trust is essentially an arrangement which separates control and registered ownership of an asset from the actual beneficial ownership of the asset (i.e., the trust owns the assets but allows the use of the asset by someone else).

A trust is often set up for the benefit of the settlor's spouse, children or grandchildren -- to fund education and provide maintenance for young children or grandchildren, or to provide a spouse with an ongoing income. Trusts for children or grandchildren are usually set up because the intended beneficiaries are too young, inexperienced -- or irresponsible with money. By protecting these assets within a trust, support can be provided without relinquishing control.

Trusts can also be used to split income -- with children, spouses or parents -- or can be used to supplement an elderly parent's retirement.

Creating a testamentary trust can be as simple as executing a valid Will that lays out the terms under which the trustee must manage the property. It is open to a testator to be as liberal or as restrictive as desired in dictating those terms, so long as the three certainties are satisfied and so long as the terms do not offend public policy.

As with any wealth planning strategy the overall cost and administrative effort involved with testamentary trusts will generally be proportionate to the tax savings and other benefits gained. For simple trusts, ongoing costs can be as little as the cost of filing an annual tax return.

Anyone interested in how a trust may be used for their benefit or for that of their family should consult a professional.

## **Life Insurance Trusts**

Do you want to attach terms and conditions to the distribution of life insurance money, but also want to ensure the money passes outside of your estate to avoid probate/estate costs and claims by creditors?

Are you also interested in preferred taxation of income earned on the proceeds on an ongoing basis?

### **The concept**

Life insurance can be used to accomplish many things, and if you're going to insure your life, there are at least two questions to answer: "Who should own the insurance?" and "who should be the beneficiary of the policy?" This is where a trust could make sense.

To clarify, you'll purchase insurance on your life, with the proceeds paid to a trust for your intended beneficiaries upon your death, rather than being paid directly to your beneficiaries.

There are two type of trusts: Inter vivos (trusts created during your lifetime), and testamentary (trusts created after your death by your will). Most Canadians will find testamentary insurance trusts to be useful in more situations than inter vivos insurance trusts.

## **The trusts**

There are four situations where you might benefit from an insurance trust set up at the time of your death.

### **1. Trust for minors**

If you die while your beneficiaries are still minors, you'll have a problem leaving the insurance proceeds directly to them. In Ontario, for example, the insurance law requires the insurer to pay insurance proceeds into court where a minor has been named beneficiary. A parent or guardian will then have to apply to the court for permission to make interim payments out of the funds, with the child taking full possession of the cash at the age of majority. Bad idea. Having the proceeds paid into a trust created upon your death, where the cash can be controlled by the trustee, makes more sense.

### **2. Special needs trust**

If you're looking after someone with a disability, you may want to leave insurance to provide for him or her. It generally makes sense to leave the insurance to a properly structured testamentary trust so that any government benefits received by the dependent will not be jeopardized. Also, consider spendthrift beneficiaries.

If your kids have trouble handling their money, you may want to control access to the funds after you're gone by leaving the insurance money to a trust, and providing the trustee with guidance or discretion to determine when and for what purposes your child gets the cash.

Finally, we all know some who have made weddings a habit. If you're concerned that any insurance dollars you leave behind could be pursued by the ex-spouse of your beneficiaries, a trust can protect those dollars.

### **3. Spousal trust**

Rather than leaving insurance proceeds directly to your spouse, consider establishing a trust upon your death to receive those proceeds.

Your spouse can be the sole beneficiary. The benefit? Tax savings! Any income earned on the insurance money can now face tax, at graduated tax rates, in the hands of the trust, rather than being taxed directly in the hands of your surviving spouse where he or she will likely pay much more in tax.

This is just smart income splitting.

### **4. Support payments trust**

Picture this. You owe \$2,000 monthly in child support until your child reaches age 23. So, you've purchased \$250,000 of life insurance to provide that support if you die. Two months before your child's 23rd birthday, you die.

The \$250,000 of insurance proceeds goes to your ex-spouse.

Your last two months of support, totalling \$4,000, comes out of those proceeds, and your spouse keeps \$246,000 as a windfall. Maybe this is okay with you, but many won't find it palatable. An insurance trust can ensure those dollars are used only for your children.

Keep in mind that these trusts often work by making an insurance declaration in your will.

You'll want the insurance to fall outside of your estate to avoid probate fees.

So to those with no will – this is just another reason to have a will!

## **Alter ego trusts**

It was draft legislation released Dec. 17, 1999, by the Department of Finance that contained this gem known as an alter ego trust. It's a trust that can be set up by an individual after 1999 provided he or she has reached age 65. The terms of the trust have to provide that the individual establishing the trust -- the "settlor" -- alone is entitled to all of the income the trust earns before his or her death. And there's more. The trust must also provide that no one other than the individual is entitled, before his or her death, to receive any of the capital of the trust. When the trust agreement is prepared, alternate beneficiaries would be named who would receive the income and/or the capital of the trust after the settlor dies.

Generally, when you transfer legal and beneficial ownership of assets to a trust -- or to anyone other than a spouse, for that matter -- you're deemed to have sold those assets at fair market value. This can give rise to a taxable capital gain, and a tax hit, where the assets have appreciated in value. In the case of an alter ego trust, transferring property to the trust won't give rise to a taxable disposition thanks to the proposed changes, unless you elect that the disposition should take place at fair market value.

In addition, the clock for the 21-year rule, which deems the property of a trust to have been disposed of on the trust's 21st anniversary, won't start ticking until your death in the case of an alter ego trust.

At the time of your death, there will also be a deemed disposition at fair market value of the property of the trust just as there would have been if you had continued to own the property directly.

### **How you benefit**

Okay, I can hear the complaints already. It may seem that there's no real tax advantage to an alter ego trust. After all, you won't avoid the deemed disposition on death that could wipe out a sizable part of your estate. Actually, there are at least four potential estate planning benefits to an alter ego trust:

### **Probate fee savings**

Transferring assets to an alter ego trust results in a change in legal and beneficial ownership of those assets. The bottom line? The assets fall outside of your estate and you'll avoid probate fees on those assets on your death.

### **Compulsory succession avoided**

It may be possible for your will to be contested after your death if you leave behind an unhappy family member or two. An alter ego trust can avoid this problem by passing assets to your heirs outside of your will.

### **Power of attorney replacement**

An alter ego trust can name a successor trustee and/or provide other direction in the event of your mental incapacity. In this way, your property in the trust will be looked after if you can't handle it. This may be a particularly good option in British Columbia where an enduring power of attorney will be effectively replaced by the unpopular representation agreement on Sept. 5, 2001.

### **Privacy preserved**

When your will is probated, it becomes a public document, along with the value of your estate. The alter ego trust offers privacy before and after your death.

### **Splitting CPP To Reduce Taxes**

You may direct up to 50 per cent of your Canada Pension Plan (CPP) benefits to your spouse, provided that both of you are over 60. If either of you choose this option, a portion of the other spouse's CPP is assigned automatically back to the first spouse.

If both spouses are eligible for maximum CPP benefits, assignment will not change anything, since each will assign half of the maximum to the other.

But if one has high CPP benefits and is in a high tax bracket and the other has low benefits or none, the assignment can effectively transfer up to half of the CPP income.

The reason that this can be beneficial is that it redistributes income from the higher income earner to the lower income earner, which may result in a lower marginal tax, and, thus, fewer taxes paid.

## **How To Avoid The Old Age Security (OAS) Pension “Claw Back”**

Many Canadians with growing Registered Retirement Savings Plan (RRSP) portfolios are doomed to lose their entitlement to the Old Age Security pension (OAS) due to their income being too high from age 65 onwards. It gets worse if they defer their RRSP withdrawals until after they are age 69 and then start drawing only the minimum RRIF withdrawal. This almost always guarantees they will not get the OAS pension in the future either. A little planning in the years prior to age 65 can insure that they get the OAS pension when they reach that age.

For individuals who have retired early it is easy to determine if they will lose their OAS at age 65. Many of these people who retired early did so with a golden handshake so they have a settlement and a pension plan, which contributes to their being easily disqualified.

In 2007, the OAS begins being clawed back at approximately \$60,000 of income. The claw back rate is 15% of income over this threshold and the repayment amounts are normally deducted from their monthly payments before they are issued. The full OAS pension is eliminated when a pensioner's net income is \$98,660 or above.

For example, for every dollar (\$1.00) of income above the threshold, the amount of basic OAS pension is reduced by 15 cents.

### **Clawback Chart**

<b>Income</b>	<b>Clawback</b>
\$ 60 806	\$ 0
\$ 65,000	\$ 629.10
\$ 75,000	\$ 2 129.10
\$ 85,000	\$ 3 629.10
\$ 98 660	all of it

**Sidebar:** Pensioners with an individual net income above \$60,806 must begin repaying part of the maximum Old Age Security pension amount.

Now here is a simple way for a planner to show the value of their services.

Currently, the Old Age Security pension pays \$443.99 per month to anyone over age 65 who qualifies.

If you were 65 this year and wanted to buy an annuity (income stream) today that would pay you the equivalent of the OAS monthly pension of \$443.99 per month for life and indexed to the Consumer Price Index (CPI), you would have to “pony up” something in the neighbourhood of \$83,745.74.

That makes the right to receive the pension a valuable asset.

At first glance, it may appear impossible to avoid the claw back.

In fact, many higher income Canadians have already accepted the fact that they will not be receiving OAS. They feel, (and I agree), that because they have paid taxes all of their working life they are entitled to some payback – even if they do not need the money.

The conventional Canadian wisdom has always been to defer drawing on registered tax sheltered investments until after age 71. However, in cases where OAS will potentially be lost the game plan should change dramatically.

### **What you can do**

The easiest way to avoid the OAS “claw back” is to draw sufficient amounts out of RRSPs so that the minimum RRIF withdrawal after age 71 will not push them into a claw back position.

This takes some calculation but is not that difficult to do.

If the total income is over \$60,000 you know that you will be subject to some or all of your OAS being clawed back.

The claw back gets more painful and harder to avoid every year because a person subject to a minor amount of claw back at age 65 will often find their pension fully clawed back within five or so years later due to the rapidly rising minimum RRIF withdrawal rate.

A lump sum withdrawal is the most common method to reduce claw back.

Obviously there is tax to be paid on the RRSP withdrawal. But, by drawing funds in the early years of retirement (or preferably before) it is usually possible to avoid being pushed into a higher tax bracket.

This is because many Canadians will still have a few years before their company pension plan kicks in. They could also defer starting their Canada Pension plan payments until the year following their RRSP withdrawal.

Keep in mind that tax rates may well be higher in the future.

Once the funds are withdrawn from the tax shelter it is important to reinvest the funds in something that will produce a lesser tax impact. One of the best ways to reduce taxes on investments is to invest in tax preferred capital gains and dividend paying securities.

However, not only is it important to plan the correct withdrawal but also the future use of the moneys withdrawn.

Any income splitting or spousal loans that can be done at the time of retirement – or sooner - can make a significant impact against the claw back.

- Gifting to family members before the claw back starts and Charitable Gifting can both be used to achieve the goal of avoiding the claw back.
- Deposits to a Registered Education Savings Plan will draw capital out of a taxable portfolio and be sheltered within the education plan.

Read: **"The UnCanadian Way To Finance Your Kid's Education"**

<http://HowToBeSetForLife.com/resources>

- Deposits to a Universal Life policy can shelter income from tax until a later date or be used to transfer wealth at death.
- "Borrow to invest". This will create investment expenses, which will reduce the amount of taxable income and thus improve eligibility for the OAS pension.

Read: **"The UnCanadian Way To Deal With Your RRSPs"**

<http://HowToBeSetForLife.com/resources>

These are just some of the many methods available to reduce ones potential exposure to the OAS "claw back".

At the end of the day the goal is to reduce and/or eliminate the possibility of the dreaded OAS "claw back" by using various strategies.

Left to their own resources most people will make the easy decisions and avoid the more complex ones.

For example, many people will buy an RRSP each year even if they have other non-deductible debt, which may yield a much better after tax return to them if they stopped to make the calculations. Or, they will let their RRSP's grow or compound right to the very end without considering the future advantage of dealing with their RRSP's sooner rather than later.

So...if you do nothing, you may have to buy an annuity to replace the OAS pension or begin working with someone who is qualified to assist you in "having your cake and eating it to" – OAS "speaking" of course.

## **Pension Income Splitting**

Starting in 2008, pensioners in Canada will be able to split income from corporate pension plans, similar to the way in which they are able to do so for the Canada Pension Plan (CPP).

## **"Freeze" Your Estate's Value**

If you have substantial assets, and particularly if you have a business that may go up in value, you may wish to obtain professional advice as to the appropriateness of "freezing" your estate.

Estate freezing is the term used to describe steps taken to fix the value of your estate (or some particular asset), so that future growth will go to your children or other heirs and not be taxed at your death.

An estate freeze can substantially reduce the tax payable on death without seriously impairing your access to income or assets during your lifetime.

## **Avoid Probate Taxes By Naming Beneficiaries**

Taxes are really just fees owed to the government for services they provide and probate fees are no different. If you name a beneficiary to your RRSP, RRIF, proceeds from life insurance and in most provinces, joint real estate tenancies, you can bypass probate fees on these items.

Non registered investments in life insurance segregated funds also fall in this category!

However, be sure to consult a tax advisor first. In some cases, such strategies can have other unintended tax consequences to your estate.

## **The Insured Retirement Solution**

If you are like most Canadians, one of your major concerns is finding legitimate and safe ways to defer and save income taxes. As the Canada Revenue Agency (CRA) continues to close legitimate loopholes to allow tax savings - the average Canadian who maximizes a personal RRSP is now left with few other alternatives.

One strategy that remains is the Insured Retirement Solution. This is a strategy which uses the stated tax treatment of certain financial vehicles, namely Universal Life insurance, to defer taxation and generate tax-free income at retirement.

As stated in the Pricewaterhouse Coopers Tax Planning Checklist, published by CCH Canadian Ltd.:

*"Those looking for tax shelters or deferral mechanisms may wish to explore the significant benefits that may be derived from an "exempt" life insurance policy. While professional advice may be needed, it is to be noted that a substantial portion of the income from such investment accumulates free of tax, that such income can be utilized before death, and the proceeds are not subject to tax on death ...such policies may be a powerful tool in the tax planning arsenal."*

### **How does it work?**

The CRA stipulates that all investment earnings generated within the cash value of a universal life insurance contract are tax exempt; in other words, any investment income generated in these policies, whether capital gain, interest or dividends, is not included on your annual tax return. This allows excess capital invested in these programs to grow and compound without incurring taxes each year.

A universal life contract has the potential added benefit of providing a sizable tax-free estate to your beneficiaries should you pass away prematurely.

### **So when do you pay taxes?**

If you cash out of your plan, as with all deferral type investments, CRA would calculate how much you have invested into the program (called your Adjusted Cost Base or ACB) and how much it is worth now. You would pay taxes on the difference.

However, the Insured Retirement Solution can be combined with a borrowing strategy.

The cash value in the program can be used as the collateral you bring to a lending institution to establish a line of credit. The line of credit would be a cumulative type (all interest is added back to the principal owing) so that you don't have to make payments on the outstanding borrowed amount. You would then draw down on the line of credit each month to provide income to you and your family.

Since borrowing money from a line of credit is not considered taxable income by CRA, all this income is essentially tax-free.

### **When do I pay back the line of credit?**

Since there is a stated death benefit in the Insured Retirement Solution, you would make the lending institution holding your line of credit one of your beneficiaries on the policy to the extent that you have an outstanding loan.

Upon death, the death benefit of the policy comes due and pays off the outstanding balance of the line of credit.

The remainder of the death benefit then goes directly to your named beneficiaries.

### **Case Study**

Sam is a Canadian who maximizes his RRSP each year, and wants to invest an additional \$10,000 per year for retirement. He is 48 years old, does not smoke, plans to keep working until he is 65, and then draw from his investment plans.

Here is how the Insured Retirement Solution would work for Sam:

#### **Assumptions:**

Rate of Return: 6%

Borrowing Rate: 8%

Amount of insurance: \$230,000

Death at Life Expectancy: Age 82

#### **At age 65**

- Cash value of Insured Retirement Solution: \$ 278,763
- Death benefit of Insured Retirement Solution if death occurs at 65: \$ 486,780

- Income per month from the line of credit: \$ 1,513 (assuming Sam wants this income)

### **Assume Sam passes away at 82**

- Total death benefit: \$ 948,410
- Outstanding balance of line of credit (8%): \$ 642,076
- Net tax-free proceeds to beneficiaries: \$ 293,774
- Total amount of tax-free income derived from the Insured Retirement Solution: \$ 290,448
- Before-tax income equivalent (assuming a 45% tax rate): \$ 474,776

### **Benefits:**

- Sam has accumulated excess capital in a tax exempt financial vehicle
- He has derived \$ 290,448 of tax free income
- His beneficiaries received \$ 293,774 tax free
- He only invested \$ 170,000

The Insured Retirement Solution is a long-term program and affords very little liquidity to participants, especially in the early years.

An Insured Retirement Solution may be for you if you have maximized your RRSP, paid off your non tax-deductible personal debt (mortgage), and have money you wish to accumulate for retirement.

### **Preserving The Full Value of Your Estate For Your Heirs**

According to today's tax laws, when an individual transfers assets to their children, a significant percentage of the assets could be subject to substantial capital gains taxes, and all registered assets could be taxed as income.

If there aren't enough cash assets in the estate and the heirs don't have enough money to pay these taxes, these heirs may have to obtain the money by selling off assets or dipping into the estate's investment portfolio at a time when they may not realize full potential market value.

There's a simple way to fund these future taxes and expenses, and do it in a way that costs only a fraction of what the taxes will be when they are due: A universal life insurance plan.

A universal life insurance plan lets one prepare in advance to fund the taxes due on their estate through a tax-free death benefit. It provides heirs with cash in hand for final taxes and expenses.

Here's how it works: An estimate of the final estate taxes and expenses can be made in a discussion with your financial advisor.

A universal life insurance policy on one's life with his or her heirs as beneficiaries can be purchased with a death benefit equal to the estimated taxes and final debts owing on the individual's estate.

The tax-free death benefit, paid in one lump-sum directly to beneficiaries and bypassing probate, then provides your heirs with the immediate cash they need to cover the final taxes and expenses.

What's more, the policy's death benefit can be arranged to grow as the investor's tax liability grows, so that the policy payout will always be equal to the expected tax debt at the time of death.

The heirs can then pay the taxes with the policy proceeds, and family assets can remain in the family for use by a new generation or until there is a favourable market in which to sell the asset.

In addition to the estate preservation benefit, the Cash Value of a universal life insurance plan can also serve as an emergency fund for individuals while they're alive. There are a number of ways to tap into the Cash Value - some of which are tax-free!

## **The Estate Preservation Solution Compared with Other Solutions**

A retired couple both age 65 has a current estate value of \$850,000, which is projected to grow to \$1,328,000 in 22 years. After the estate passes to their three children, at a 26% marginal tax rate, the estate will incur taxes of \$330,808.

There are a number of ways to deal with these taxes.

1. Heirs can borrow the money they need, and pay the loan off over time.

If the estate did not have the cash to pay the tax, the heirs would have the option of borrowing the money to pay the tax. Assuming a loan interest rate of 7.5%, and repayment over 10 years, this is a costly alternative, estimated at around \$448,316.

2. Heirs can sell estate assets.

They can attempt to decide what would be the best estate assets to sell off at the time of the transfer. The projected cost of the tax bill is still \$330,808.

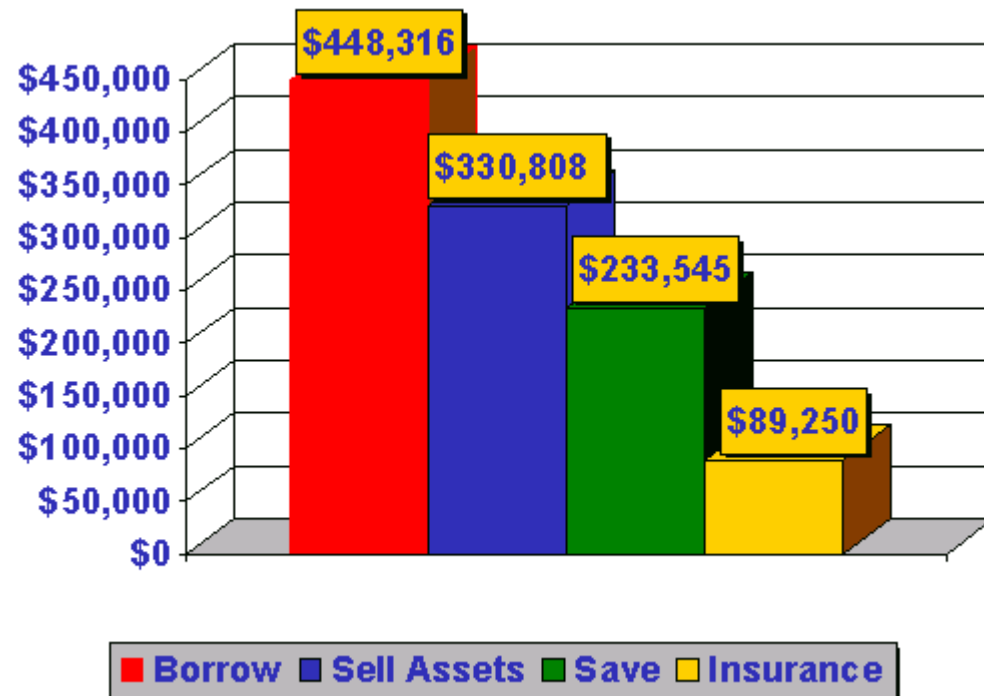
3. The retired couple themselves can put aside money over time to cover the projected expenses.

There is no guarantee that the couple could save all the money needed, and they may die before saving enough. Also, the growth of their investments is unpredictable, and taxes must also be paid on the income. In order to accumulate \$330,808 in 22 years, it's estimated that the couple would need to save \$233,545 over ten years, assuming an annual interest rate of 4%.

4. The universal life insurance solution.

With the concept of "A Solution to Protect Your Estate," the couple pays predictable premiums of \$8,925 a year. When paid over a 10 year period, that's \$89,251 to cover more than \$330,000 in taxes (or only 7% of the original estate value, versus a 26% loss due to taxes).

What's more, the estate's beneficiaries (children, loved ones, business partners, etc.) can help pay the premiums so that the cost of the solution is shared.



When compared with other options, this universal life insurance solution is a strategy every individual should consider for estate preservation purposes.

### **Estate Planning Options Chart**

*Use this chart to compare the various, risks, benefits and results of each estate planning option*

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<b>Option</b>	<b>Risks</b>	<b>Benefits</b>	<b>Result</b>
<b><i>Do Nothing</i></b>	- <b>A larger than necessary tax bill.</b> -A greater total cost to your estate than necessary.	-No current, or ongoing costs.	-Ignores the issue and defers the liability.
<b><i>Transfer to the kids</i></b>	-A current tax bill. -Loss of Control. -Could be subject to creditor risk. -Could be considered net family property in the event of divorce or separation. -Loss of use of capital if needed. -Your children or grandchildren could face an even bigger liability. -You no longer own the asset. -Can not be used for registered assets (RRSPs/RRIFs).	-No further liability to your estate.	-Pays the current tax and transfers the future liability to someone else.
<b>Transfer to a personal corporation</b>	-Possibly a greater future tax bill than necessary if asset declines in value. -Personal use tax rules may apply. -Possible current tax bill. -Current set up costs. -Annual maintenance costs. -Annual tax returns must be filed. -Can not be used for registered assets (RRSPs/RRIFs).	-You can freeze the current tax bill. -You can maintain limited control.	-Pays the current tax and transfers the future liability to someone else.
<b>Estate preservation plan</b>	-You may not qualify if you are uninsurable. - The sooner an estate plan is put in place the easier it is to qualify for. However, it is never too late to apply. -Don't assume that you are uninsurable, find out. -May not reduce the future tax bill, it just	-You maintain control of your assets and the policy. -May reduce current and future taxes as investments inside of the policy grow on a tax sheltered basis if set up and maintained properly and are paid out as a "Tax Free" benefit to the	-Creates a tax-free source of funding and defers liability as long as possible. -The kids can pay for it or help pay for it. <b>-Can greatly increase the value of the estate.</b> -Cash value can be accessed at any time. -Costs just pennies on the

	creates a discounted source of funding the liability.	estate. -A guarantees source of funding the "Success Tax" -Tax and probate free benefit. -Can be a source of extra income if needed before death. -Guaranteed known cost. -Can be paid for with a single payment or ongoing payments. -Investment required is often less than the current "Success Tax" due.	dollar. -May be protected from creditors. -Can be set up to keep pace with inflation. -A complete solution for all of your "Success Tax" items. -Can be used to shelter current investments and investment income to reduce current taxes.
<b>Option</b>	<b>Risks</b>	<b>Benefits</b>	<b>Result</b>

### **Estate Planning – It’s All About Control!**

Estate planning in Canada revolves around the notion that every tax paying Canadian one has the right (and should use that right) in allocating assets and resources in the most tax efficient manner possible to benefit their family, loved ones and favourite organizations in the event of premature death or disability.

**Authors Note:** This report is not an attempt to be an exhaustive list of the various issues, concerns or ideas for estate planning but rather it is intended to indicate that estate planning is a fluid and ongoing exercise.

## **Are Your Affairs in Order?**

***Disinherit CCRA AND distribute your wealth to the people you want, when you want, in the way you want...***

In order to avoid needless taxation and probate fees, not to mention family squabbles and delays - get a plan in place for your estate.

The reassurance of having a strategy in place to preserve the value of your estate for loved ones is something to value.

After all, why pay if you don't have to?

Your government has given you a rule book.

Are you playing the game to the max?

Work with your financial advisor to get professionals on your team to determine what exactly is in your estate and then devise your plan!

You'll be surprised, how quickly things turn in your favor.

And instead of just playing the game - you start winning the game instead!

Here's To Your Success!

Cheers!



Mark Huber, CFP

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**"It's Your Life! Plan For It! Then Live Like You Mean It!"**

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**Mark Huber, CFP is also author of - "The UnCanadian Way" series of reports, Ebooks, audios and videos...**

**Check out the full library of resources here at:**  
<http://HowToBeSetForLife.com/resources>

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## About the Author

Mark Huber is a proud Canadian living with his wife in scenic Richmond, British Columbia, Canada.

For over 22 years, Mark has worked in the financial services industry. The focus of Mark's financial planning advisory practice is focused exclusively to British Columbian (BC) Canada residents.

Mark's boutique planning practice works with a select group of clients who all share a passionate vision for creating true wealth and living their dream lives.

Mark is author of "The UnCanadian Way" series of eBooks and audios. These powerful resources share innovative ideas and wealth building strategies to Canadians so that they will never again view their home, their mortgage, their debts, or their assets in the same way again.

Visit: <http://HowToBeSetForLife.com/resources>

Mark also maintains a premier financial planning site at:  
<http://HowToBeSetForLife.com>

Another of Marks partner sites is here at:  
<http://HowToGetRidOfYourMortgage.com>



**Mark Huber, CFP**

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**-The End-**

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