# ESTATE PLANNING FAQ


A well-thought-out estate plan is more than simply setting up a will and walking away. It should consider all the puzzle pieces shown in the diagram above, depending on the complexity of your financial situation. Even a few omissions could have monetary consequences on your estate and emotional consequences for your loved ones that you hadn't thought about. This FAQ addresses some common questions I come across that address all the pieces of an estate plan.

**What exactly is an estate plan?**

An estate plan lays out how your financial assets will be distributed upon your death and addresses tax consequences. It allows you to determine ahead of time who (the beneficiary) gets to receive which asset (home, car, financial assets, heirlooms, etc.).

**How early should I start organizing my estate plan?**

This depends on how close you are to retirement and how complex your financial assets are. A good time is once you start accumulating some financial assets such as RRSPs, TFSAs, non-registered accounts and bank accounts as there are tax consequences on your estate. Other considerations include:

- Having children
- Getting married
- Buying a house
- Setting up a business

If you own a business, then it becomes a bit more complicated and you will probably want to start organizing your estate once your business is up and thriving. A business succession plan is also something to consider alongside your estate plan.

## How important is it to have each piece of the estate plan in place?

Although all the pieces are important, there are 3 components that each person should set up as a minimum.

Will or Living Trust: A will is the cornerstone of your estate plan as it outlines your express wishes as to how your assets are distributed. Dying without a will in BC is called 'dying intestate' and means your assets are distributed according to the **Wills, Estates and Succession Act (WESA)**. This means the government decides who gets your assets and who settles your estate, potentially causing emotional and financial concerns for those left behind. **Don't be one of the 50% of Canadians without a will!**

Power of Attorney (POA): In the situation where you have become mentally incapacitated and are unable to make financial decisions while you are alive, a POA can step in and make them for you.

Representation Agreement (RA): An RA is a document outlining personal health directives available to adults who want to be able to plan for their future in case they need help making decisions regarding healthcare, medical care and personal care."

## Why is family meeting important?

As a financial planner for over 30 years, I have seen some families go through emotional and financial turmoil after a client passes away, even when a will was in place. Getting the convo going with your children about passing on your assets can be a sensitive topic; one many families tend to avoid. Unfortunately, by putting off this conversation, you risk leaving the outcome to chance. The lack of a clear estate plan adds extra stress when you are gone and can disrupt family harmony. Having a discussion with your loved ones about wealth transfer while you are alive means everyone has the same understanding of the future. It's a good time to be candid with your kids. Allows you to share your feelings about your funeral and any health-related issues prior to your death.

## How does insurance play a role in estate planning?

In Canada, the Canada Revenue Agency (CRA) will be looking for their shares of taxes on your estate and an insurance policy can substantially reduce what is owed. A whole life insurance policy is not taxed within the estate, allowing for more financial assets for your beneficiaries.

Here are two insurance strategies that can work well for this purpose.

The Estate Bond

The Estate Bond moves unused, taxable assets into a tax-deferred whole life insurance policy – growing your estate while reducing your tax burden today. Essentially, it means taking funds from an unregistered investment account and paying the policy premiums for a period (10 or 20 years). The value of the policy upon death will be passed down to your beneficiaries tax-free.

It can also provide you with benefits that an investment account simply can't offer:

- Provides you with accessible funds while you are alive – if needed
- Reduces taxes owed while you are still alive
- Estate value grows through tax-deferred cash accumulation
- Tax-free death benefits paid directly to your children (avoids probate)
- Helps cover estate settlement costs at death

<u>Cascading Life Insurance</u>

If you are already enjoying financial security and want to help your grandchildren get an early start financially, the cascading life insurance strategy is a great inter-generational wealth transfer strategy. Purchasing a Permanent Participating Life insurance policy now on the life of a grandchild allows it to be transferred to them at age of majority. Benefits of this strategy include:

- Transfer of the policy is done on a tax-deferred basis (your estate does not pay tax)
- Funds withdrawn by the adult grandchild, if taxable, are taxed in the hands of the grandchild
- It provides a lower cost permanent life insurance for your grandchild with no premiums
- A 10-pay premium payment option allows the policy to be fully paid up prior to transfer

  You can also use life insurance as burial insurance which can cover the costs of your funeral.

**What is the role of an Executor?**

An Executor is the person you legally appoint to distribute your assets as outlined in your will. According to the BC Government, the responsibilities involve securing and listing assets, applying for probate (if required), paying off all valid debts and taxes, and distributing the remaining property to the designated beneficiaries.

This is where the family conversation becomes important! Before assigning a family member as Executor, it is important to make sure they are comfortable with the role. As Executor, they become personally liable for any financial mistakes that occur when conducting their duties. Getting a final Clearance Certificate from the CRA makes sure no further taxes are owed. Learn more about a Clearance Certificate.

Executors can decline if they wish but need to do so before the estate settlement proceedings start. Executors are allowed to be compensated for their role and the amount can be specified in the will as a percentage or flat dollar amount (recommended). If your estate is somewhat complicated, the Executor can choose to hire accounts and lawyers. Alternatively, you can assign one in your will.

## What is probate?

Probate is the legal process of submitting a deceased person's will to the provincial court system to be validated. The process can take between two to five months. Once approved, a "grant of probate" is issued. Many financial firms may require that a will be probated before they accept the will and transfer the assets as per the Executor's instructions. Some financial organizations transfer small amounts without a probated will; however, every institution has its own regulations.

There are times when a will does not need to be probated. This depends largely upon the type of assets in the estate. Jointly held assets such as a non-registered account owned by a husband and wife are not subject to probate as the asset rolls over to the remaining spouse.

Probate fees in BC are 1.4% of the estate's value. Many people are keen on avoiding probate and attempt to set up their estate without the assistance of professional advice. This may lead to unfavourable results, so it is best to consult with accountants that are familiar with estates to avoid unintended taxes and fines.

You can apply for a grant of probate in any B.C. Supreme Court registry. See the list of registry locations to find the one nearest you. Learn more about applying for a grant of probate.

## Next Steps

If you are 30, 50, or 70, having an up-to-date estate plan is crucial if you have financial assets and care about who will inherit them after you die.

Getting started is easy – book an appointment with our office using our online calendar or call our office at 604.940.8617.


Jeff Greenfeld, Certified Financial Planner® and Senior Wealth Advisor
Greenfeld Wealth Management,  iA Private Wealth
4877 Delta Street, Delta, BC  V4K 2T9
Tel: 604.940.8617 |  Jeff.Greenfeld@iaprivatewealth.ca  |  GreenfeldWealth.com