Estate Planning And Wealth Preservation

As the Canadian population continues to age, many people are beginning to recognize the increased importance of incorporating estate planning in their financial affairs. The term estate planning is used to describe the process of organizing your affairs to help you achieve your goals both during your lifetime and after your death.

Historically, estate planning was seen only as a plan to distribute your assets at the time of your death. However, an estate plan can also be used to address many of the issues that arise during your lifetime.

Often it is non-financial issues that motivate people to develop estate plans – issues such as the desire to maintain peace between heirs through the equitable division of assets, or to provide a gift to a favourite charity.

It's important to remember that estate plans vary a great deal from one person to another, but should always be based on three fundamentals:

1) Address all aspects of your life at the time of the planning process.
2) Achieve your goals for the remainder of your life.
3) Meet your wishes for the distribution of your estate to your intended heirs. The key lies in creating an estate plan that works for you and addresses your personal circumstances and goals.

EVERYONE SHOULD HAVE AN ESTATE PLAN

While it is important for everyone to have an estate plan, the depth and complexity of your plan will depend on your particular circumstances and goals.

If your asset structure or desired outcomes are not complex, a Will may form the basis of your estate plan. For others, the estate plan may be complex and continuously grow as needs and desires expand. The rule of thumb is to create an estate plan that does the job for you, as simply as possible.

Think of your estate plan, whether simple or complex, as a tool for you to take control of your affairs now, as well to lay out the roadmap after you have passed away. Without an estate plan you leave it up to the government and others to determine the ultimate direction and distribution of your assets. With a well-thought-out plan, you lay the groundwork for your wishes to be implemented properly

An Estate Plan Provides Peace of Mind

Naturally, the first people we think will benefit from a well-designed estate plan are our heirs. Proper planning sets out an efficient transfer of assets to your chosen heirs, and allows them to benefit by receiving the assets as you intended. You will also benefit from the peace of mind and satisfaction that comes with knowing that your goals for property transfer will be realized, even when you are no longer around to see it happen.

An Estate Plan Addresses Many Issues

We've already discussed the fact that estate plans vary from one person to the next. However, as unique as each plan is, there are some common issues, including:

- Your wishes for the distribution of family and business assets upon death.
- Any provision you wish to make to equalize the distribution of assets among your heirs.
- Minimization of taxes and other costs of estate settlement.
- Provisions for incapacity due to mental or physical disability.
- Any provision you wish to make for charitable bequests.
- Steps you may take to preserve or maximize your estate for your heirs.

- Actions to defer taxation of capital gains that may occur at death.
- Steps to provide for retention of those assets that you wish to remain in your family, such as works of art or a family cottage.

The steps you take to achieve your estate goals can be quite varied. Your Investment Advisor has access to a team of experts from across the CIBC group of companies, including a qualified Estate Planning Specialist*, who can work with you and your tax and legal advisors to help create an estate plan suited to your goals.

CONSIDERATIONS WHEN DEVELOPING AN ESTATE PLAN

One of the most common assets subject to taxation in the year of death are registered assets such as RRIFs or RRSPs. Taxation has been deferred on these assets for many years, and the government generally requires that their full value be considered as income in the year of death, or the surviving spouse's death, and added to any other income received that year.

Another consideration is the income taxes payable on unrealized capital gains at the time of death. Canada's Income Tax Act deems that all capital assets have been sold at fair market value just prior to your death. If there is any gain in the value from the original purchase price, a percentage of the gain will be added to your taxable income in the year of death, unless the assets are transferred to your spouse, either directly or by way of a spousal trust. This could have a serious effect on the amount of tax payable by your estate and could mean that your heirs will have to sell some of the assets to cover the tax bill. The loss of valuable assets that the family wishes to retain – such as recreational property, works of art, a family business or a second residence, is a potential result.

MINIMIZING THE IMPACT OF ESTATE EROSION

Steps can be taken to plan for the taxes that will be payable on your assets. An effective way of dealing with future tax liabilities lies in using life insurance products to pay the tax bill when it comes due. In fact, life insurance can be structured to pay out exactly when the taxation occurs. This eliminates much of the guess work associated with this aspect of the planning process.

If assets are to be passed to your beneficiaries upon death, the cost of life insurance should be seen as an investment on behalf of these beneficiaries so that the estate assets pass in the most cost-effective way.

Tips on Will Planning

When it comes to Will planning, consult a legal advisor and have your Will properly drawn up. This helps to ensure it reflects your wishes. You can prepare for your meeting with your legal advisor by giving some thought to certain aspects in advance, so that you'll be prepared to give instructions during the meeting.

For example, you should consider who you'd like to act as Executor of your estate. In complex cases, a professional Executor should be considered. In addition, you should also gather personal documents that contain information needed during the meeting. This includes information on all your holdings, including details of specific assets and liabilities. Be sure to provide your birth certificate, marriage certificate, any prenuptial or divorce agreements, life insurance contracts, and annuity contracts with details of provisions for continuation of income after death.

Remember, you should never postpone your Will planning, even if your fact gathering is not complete.

A well thought out estate plan can help you build wealth and protect your assets from excessive taxation and frivolous claims that could erode the cherished gifts you wish to leave behind.

Everyone should take control of their plan themselves. Even if your estate planning needs are simple, you should consult with professionals to help you in the process. CIBC Wood Gundy Financial Services Inc. provides estate-planning advice to our clients. We have Estate Planning Specialists on our team with extensive experience in dealing with many of the issues discussed. Working with your legal and tax advisors, they can help you design and implement your own customized plan. Meanwhile, our partners at CIBC Trust are able to provide a range of executor, power of attorney and trustee services.

To get started on creating an estate plan, customized to your needs, speak with your CIBC Wood Gundy Investment Advisor today.

*Financial Security Advisor in Quebec.