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# Estate planning

## 10 simple steps



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# Estate planning...

- Ensures your financial affairs are handled the way you wish
- Is important for everyone, not just the wealthy
- Helps you organize for the future and after your death



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# Why plan your estate?

## **Three rational motivations:**

1. Provide for loved ones
2. Rapid distribution of estate on death
3. Minimize taxes for you and your beneficiaries

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# Why plan your estate?

## Three emotional motivations:

1. Gain comfort from looking after loved ones
2. Feel secure knowing that settling your affairs will not add stress to those grieving for you
3. Assurance your estate will be disbursed the way you wish

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# Estate planning goals

- Transfer assets to beneficiaries in financially efficient and fair manner
- Provide for survivors
- Minimize taxes
- Ensure business continuity
- Identify who carries out last wishes and cares for minor children

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# For family-owned businesses

- Minimize business disruptions
- Minimize capital gains taxes
- Ensure cash reserve on hand to pay bills
- Combine retirement/estate planning

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# 10 steps to successful estate planning

1. Consult and retain appropriate professionals
2. Draw up a household balance sheet
3. Understand your life insurance needs
4. Draw up your Will
5. Establish power of attorney for property
6. Establish power of attorney for personal care
7. Minimize taxes and administration fees
8. Keep track of accounts and important information
9. Let someone know
10. Review and update regularly

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# Step 1: Consult and retain appropriate professionals

1. Advisor
2. Legal professional (lawyer/notary)
3. Tax professional



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## Step 2: Draw up a household balance sheet

- A “snapshot” of your financial position
    - Identifies how vulnerable you are to debt if circumstances change
  - Assets – debts = net worth
  - Assets
    - mortgages on real property
    - amounts designated to named beneficiaries
    - amounts passing to joint owners
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- = probate value



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## Step 3: Understand your life insurance needs

**Life insurance proceeds can be used to:**

- Replace income
- Pay estate expenses
- Leave an inheritance



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## Step 4: Draw up your Will

- A Will authorizes your personal representative to follow your instructions
- If a person dies leaving a spouse and children and there is no Will:
  - Heirs are subject to a provincially regulated schedule, which may not coincide with your wishes
  - Spouse has no say over money children receive



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# Planning a Will involves ...

- Naming beneficiaries
- Naming executors and/or trustees
- Naming guardians for minor children
- Setting up testamentary trusts
- Pre-planning to transfer assets directly

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# Types of Wills:

- Formal Will
- Holograph
- Notarial Will (in Quebec only)

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# Personal representative role

- Make funeral arrangements
- Inventory and insure assets
- Pay debts
- File for probate
- Appraise and sell assets
- File tax returns
- Deal with potential challenges to the Will
- Obtain Canada Revenue Agency clearance
- Account to beneficiaries
- Distribute assets to beneficiaries

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# Choosing a personal representative

## **Your representative should have some or all of the following qualities:**

- Integrity and good judgement
- Willingness
- Time, patience, organizational skills
- Accessibility
- Familiarity
- Legal and financial awareness

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# When should a corporate executor be considered?

- Substantial assets or active business
- Complex financial situation
- One or more executors live outside the country
- Long-term trusts created under the Will
- Second marriages
- Family discord
- Executor not financially astute



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# Taking care of the children

## Choose a guardian/tutor who:

- Shares your child-rearing values
- Is someone your children would want to live with
- Is willing to assume all the responsibilities of guardianship
- Can afford to raise and support your children



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# Establishing testamentary trusts

## Examples:

- Trusts for minors to fund their education and provide future income
- Spousal trusts to preserve assets for the family or to provide for family in cases of remarriage
- Special-care trusts for special-needs beneficiaries
- Charitable gifts

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# What happens if there is no valid Will?

- Deemed disposition of all capital property, including recreational properties
- RRSPs and RRIFs taxed to your estate as though they were cashed in, resulting in no tax-free rollover to your spouse
- Capital gains tax bill could force sales of assets

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## Step 5: Establish power of attorney for property

- Designates someone to handle your financial affairs if you're not able
- Can save time and confusion later
- Power of attorney over property can be limited or general



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## Step 6: Establish power of attorney for personal care

- Health care directive
- Personal care during incapacity



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## Step 7: Minimize taxes and administration fees

- Consider joint ownership with right of survivorship
- Leverage insurance
- Prearrange funeral
- Minimize taxes payable on the estate
- Establish a living family trust



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## Step 8: Keep track of accounts and important information

- Establish a list of assets, account numbers, etc.
- Put a copy in a safe place

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## Step 9: Let someone know

- Inform people of their responsibilities
- Communicate your plan
- Document who will be responsible for carrying out your wishes



# Step 10: Review and update regularly

- Review estate and financial plan
- As your life changes, so does your estate plan



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TAX & ESTATE

## Estate planning: 10-step checklist

This worksheet provides you with a 10-step checklist for estate planning. With this sheet as a guide, your advisor will work through each step with you to help make your estate plan complete. Use this checklist as a first step towards building a plan to ensure your estate is distributed the way you wish.

	TO DO	PLANNING	COMPLETED	DATE
1	Consult and retain appropriate professionals			
2	Draw up a testamentary will			
3	Understand your life insurance needs			
4	Draw up your will			
5	Consider Power of Attorney for property			
6	Consider Power of Attorney for personal care			
7	Write an ex parte administration form			
8	Keep track of accounts and important information			
9	Let someone know			
10	Review and update your estate plan regularly			

For more information about this topic, contact your advisor, call us at 1-800-874-6273 or visit our website at [www.invescotrimark.com](http://www.invescotrimark.com).

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# Important information

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Thank you

