



NEW YEAR RESOLUTIONS

Make Estate Planning a Priority in 2022

The health-related consequences of the pandemic have prompted many to contemplate the importance of estate planning. Have you made your estate plan a priority? If not, why not resolve to do so for the year ahead.

An effective estate plan ensures the efficient distribution of assets according to your wishes to maximize the legacies to your family or other beneficiaries. With the realities of complicated family structures or business ownerships, and the intricacies of tax and succession laws, forward planning can help promote efficient administration and minimize expense down the road. It can also help to limit exposure to potential liability or access by others to your assets.

A well-prepared estate plan may offer benefits that go well beyond your finances. It can help to put your mind at ease for situations involving fairness to heirs. It has the potential to prevent conflicts between beneficiaries. It may also help to ensure that those incapable of managing funds will be well protected into the future.

A Will is the cornerstone of any estate plan, but consider that there may be other tools that can help to structure your plan in the best way. Here are some considerations:

Consider the Use of Trusts

If something were to happen to you, would family members need ongoing financial security? Trusts can be effective tools in helping to protect assets for beneficiaries and prevent access by others. For example, a testamentary spousal trust can be created to hold assets for which only a spouse can receive income or distributions during their lifetime. A trustee could be appointed to help manage particular assets if a beneficiary is not capable. A trust may also protect assets from current creditors or past/future relationships. In provinces where applicable, assets held within the trust will not be subject to probate fees.

Consider the Benefits of Insurance

Life insurance can provide a variety of estate planning benefits. It can help to cover future income tax liabilities, such as the potential capital gains liability of a family cottage. Or, it can help to equalize an estate for multiple beneficiaries when passing along certain assets. For those looking to leave a significant gift to a charity, without impacting bequests to heirs or retirement income, an insurance policy may also be a good solution. Life insurance can be owned by an individual, a trust or a corporation, and in all cases the beneficiary receives the benefit tax free upon the death of the insured.

Business Owners: Plan with Available Tools

Without proper planning, there may be a significant tax liability to a business owner's estate. Corporate-owned life insurance has the potential to provide liquidity at the time of the owner's death, which can help to cover terminal tax liabilities when passing along a business. Funds may also be used as an income-replacement tool for surviving financially-dependent family members.

There may also be tax benefits. At death, the par policy from participating life insurance held corporately can be distributed to the shareholder(s); anything above the adjusted cost basis is paid tax-free through the capital dividend account.

Other tools, such as the use of an estate freeze, may provide significant benefits to the business owner's estate. An estate freeze can help to manage the value of the business and the accompanying tax liability upon its transfer. It may allow a business owner to multiply the lifetime capital gains exemption with family member beneficiaries, which can result in significant tax benefits. It may also offer income-splitting opportunities and cap the tax liability of shareholdings at death.

We Are Here to Provide Support

These are just some of the tools that may be useful as you consider your own estate plan. Have you made estate planning a priority? For a deeper discussion, please get in touch. Being familiar with the many aspects of your financial situation, we can help provide counsel and recommend experts in the field should you require assistance.

Does your estate plan require a review?

If you already have an estate plan in place, perhaps these five questions may prompt a review:

- Is my estate plan structured in a way that promotes efficient administration and limits expense?
- Will my plan minimize family effort and controversy?
- Are my assets structured to limit exposure to potential liability or creditors (i.e., for blended families, business owners)?
- In the event I am incapacitated, is my family protected and can they make financial or health care decisions?
- Have I revisited my estate plan over the past five years (many legal professionals recommend reviewing an estate plan every three to five years, or after experiencing a major life event)?