

Cheat Sheet

Wills & Estate Planning for Canadians Cheat Sheet

Worried about what will happen to your assets after you pass away? The information below will help you plan for your future with tips on how to reduce your estate taxes, helpful information on whether or not you need life insurance, and a listing of the key pieces of information your loved ones will need after you're gone.

Why Every Canadian Should Have a Will and Estate Plan

Why do you need a will and an estate plan? It may not be fun to think about, but after you're gone you won't have a say in some pretty important matters unless you let your wishes be known. Who will take care of your children? What will happen to your business, your property, or those valuable heirlooms passed down for generations? How can you reduce the taxes on your estate?

This article uncovers the benefits of wills and estate plans and the pitfalls you can avoid simply by planning for the future.

- **Your family won't starve in the cold.** Without an estate plan you may not leave enough money to your family to make sure they'll always be warm and well fed.
- **Less of your estate will pay a permanent visit to the income tax department.** Without an estate plan you won't be able to take advantage of tax-saving strategies.
- **Your family won't have to weep before a judge to get the right to manage your estate.** If you don't make a will naming an executor, someone close to you will have to start a court proceeding to be appointed the administrator of your estate. Until the court makes a decision, no one will be able to touch your property.

- **Your estate won't lose money after your death.** Without a will you won't be able to give an executor flexibility to sell or keep certain property and to make bold investment decisions.

- **Your estate will be able to pay off your credit cards and still have something left for your family to go on a shopping spree.** With an estate plan, your estate may not have the money it will take to pay off your creditors and hand over a good sum to your family.

- **Your family will be able to keep the heirloom brass spittoon lovingly handed down from generation to generation instead of getting cash with no sentimental value.** Without a will, your administrator may have to sell your property and hand out cash.

- **The business you built up from scratch can be more easily passed on to the person of your choice — or at least not sold at a loss.** Without an estate plan, you can't be sure where the business will end up and how much it will be worth when it gets there.

- **Your children will be cared for.** Without a will, your wishes about who will look after your children may never be known.

- **Your provincial government won't be playing piggy bank with your children's money.** Without a will that sets up a trust for young children until they come of age, the provincial government will hold any property you leave the kids — until they reach the age of majority.

- **Your provincial government won't be playing piggy bank with all your money.** Without a will, your property will be given away to your lawful husband or wife and blood relatives according to rules set by provincial law. If you don't have a lawful spouse or any blood relatives — even though you have a long-time companion, a lover, friends, or a favourite charity — your property will all go to the provincial government.

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Deciding If You Need Life Insurance in Canada

Building your estate is one way to ensure that your family will be taken care of — life insurance is another. Though life insurance is needed by some Canadians, others can go without it if their estate will easily cover the expenses related to their death. Do you need a life insurance policy? Here are some tips to help you find out.

You need life insurance if:

- Someone you support will still need your income when you're no longer alive to earn it.
- You're likely to die leaving a large debt and you want it paid without eating into the capital of your estate.
- You want to create a fund to pay funeral costs, taxes, and probate fees.
- You want to leave money you wouldn't otherwise have to a family member, friend or charity.

You don't need life insurance if:

- You don't have anyone who depends on you for support.
- You have no large debts or expenses.
- You have plenty of cash or property in your estate to pay funeral expenses, taxes and probate fees.
- You don't need or want extra money to leave to family, friends or charities

Top Tips for Reducing Estate Taxes in Canada

Though Canada doesn't have any "death taxes," taxes on your estate, including your Registered Retirement Savings Plans (RRSPs) and Registered Retirement Income Funds (RRIFs) can really add up. With a good estate plan you can keep those taxes at a minimum.

Follow these helpful tips and you'll keep the Canada Revenue Agency (CRA) from being your biggest and happiest beneficiary!

- Leave capital property that has gone up a lot in value to your spouse.
- Name your spouse as beneficiary of your RRSPs and RRIFs.
- Leave your children or grandchildren cash or property that has not gone up a lot in value.
- Use the principal residence exemption to leave your vacation property to your children without triggering a capital gain.
- Give away capital property while you're still alive if you have a capital loss to offset any capital gain
- Donate money to charity in your will.
- Make sure your will gives your executor power to use your unused RRSP contributions to make a contribution to your spouse's RRSP.
- Give your executor enough information to make use of any unused capital losses when you die.

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What Your Family and Executor Will Need to Know

You've considered your family and loved ones by drafting a will and created an estate plan, so make sure they'll be able to take advantage of all your careful planning! Do they know that you have a will, and where to find it? Do they have your account numbers and contact information for your lawyers and other advisors?

Here are the key pieces of information that your family, executor and loved ones will need to know once you're gone.

- Whether you want to donate your organs.
- What kind of funeral you want.
- Where to find your will.
- Where you keep your important documents.
- The location of your safety deposit box and where to find the key.
- Particulars of any insurance policies on your life.
- Information about your bank accounts, investments, pensions, and other property.
- Details of your debts.
- The name and address of your lawyer, financial adviser, and insurance agent

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