



Faiella Financial Newsletter

A Note from Rocco



In this month's newsletter, we are focusing your attention on planning your will and estate. They both are important action steps to take now, no matter how small your estate may be. It allows you, while you are still living, to ensure that your property will go to the people you want, in the way you want, and when you want. It permits you to save as much as possible on taxes, court costs and lawyers' fees. It affords the comfort that your loved ones can mourn your loss without being simultaneously burdened with unnecessary red tape and financial confusion.

All estate plans should include, at minimum, two important estate planning instruments: a durable power of attorney and a will. The first is for managing your property during your life, in case you are ever unable to do so yourself. The second is for the management and distribution of your property after death. In addition, more and more Canadians also are using revocable (or "living") trusts to avoid probate and to manage their estates both during their lives and after they're gone.

Rocco

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DID YOU KNOW

**55% of North Americans
don't have a will.**



Do You Have A Will?



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In a recent study by Leger Marketing, only 49% of Canadians have a will. This means that the other 51% of Canadians would die intestate. What does this mean? Essentially, it means that the Intestate Succession Act governs your estate. This Act has a very limited scope of action, and its standard provisions may be unacceptable for your personal needs and peace of mind.

**Wills & Estate
Planning For
Canadians
Cheat Sheet**

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Do You Have A Will?

This may cause potential problems and is very risky for the loved ones you leave behind. Plus, there is no executor appointed, which leads to costs, delays and frustration. Intestate means that:

- You can't choose who your beneficiaries will be;
- You can't choose who will administer your estate;
- You can't plan your estate to minimize taxes;
- You can't choose a guardian for your children.

So the question remains, do you have a will? If not, why?

As a financial planner, I know that the will is a very important document in retirement and estate planning. However, to give you more details, I went to an expert. I recently had a conversation with Avidah Musgrave who is a Wills and Estate specialist at the Ritchie Mill Law Office.

What is a will?

According to Avidah Musgrave, "A will transfers your assets to your beneficiaries after you pass away. It gives you control over the assets that form your estate. Only a will allows you to specify where your estate goes after you pass away."

When is the best time to get a will?

In the same information by Leger Marketing, it was found that the older you get, the more likely you are to have a will. In fact, 91% of Canadians over the age of 65 have a will. If you are under the age of 45, there is a less than 20% chance that you have a will.

For Musgrave, she obviously feels there is no better time than now. Musgrave talks about some significant events that can trigger motivation to think about getting a will,

"Consider will planning when you acquire a significant asset (like a house); when you get married, remarried or even enter into a common-law relationship; when you have children; when you separate or divorce. All of these events should get you thinking about your will."

Is it fine to use a legal will kit?

Most lawyers will obviously agree with Musgrave when she says that, "You get what you pay for". Musgrave adds, "These will kits often start with large disclaimers that state you should seek a lawyer for advice."

A will is a complex document that is worded very carefully and considers the unique circumstances of each person's estate. A properly drafted will deals with things that may not be included in a standard form will, such as tax issues, trusts, charitable giving, executor's compensation, special needs beneficiaries, Assured Income for the Severely Handicapped (AISH), second marriages, and step children and adopted children. These are issues that are not dealt with in a standard form will. Having your "final say" usually requires legal advice tailored to your situation.

What should I do with my will?

You should keep your original will in a safe, waterproof and fireproof place, preferably in a safety deposit box. You may wish to give a copy of your will to your executor or at least inform your executor of the location of the original.

How often should you review your will?

Change can trigger the need to review your will. Sometimes changes will occur in the life of the individual and change can happen quickly. Also, the laws governing Wills and Estates change quite frequently so it is also wise to have your lawyer review it every two years.

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More great articles:

- The Importance of Estate Planning
- Duties of an Executor – An Executor's Checklist
- Wills & Estates For Canadians - Cheat Sheet

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Quote of the Day

**"The question isn't at what age
I want to retire, it's at
what income."**

George Foreman

Designating Beneficiaries for RRSPs and RRIFs



This is one area of tax planning that does not receive enough attention. When you open up an RRSP or RRIF, you are opening up a special contract under the Income Tax Act, which requires that you designate one or more beneficiaries. Far too often, this is done too casually and without enough thought.

Taxation of the RRSPs/RRIFs at death

The first place to start in understanding whom to list as a beneficiary is to understand the taxation of these contracts at death.

The general rule for an RRSP or RRIF is that the value of the RRSP or RRIF at the date of death is included in the income of the deceased for the tax return for the year of death. There are three exceptions to this rule where the tax can be deferred if the beneficiary of the RRSP, RRIF, or estate is:

1. the spouse (includes common-law partner)
2. financially dependent child or grandchild under 18 years of age, or
3. financially dependent mentally or physically infirm child or grandchild of any age.

RRIFs and Beneficiary Designations

When you are converting your RRSP to a RRIF, you are setting up a new contract and you must designate a beneficiary at that time. If you assume the RRSP designation would continue to apply, that would not be the right assumption.

To find out more about Beneficiary Designations, please go to our Online Newsletter at faiellafinancial.com

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