

ADVICE YOUR WAY

Estate Planning: Transferring Your Estate



The Final Steps

For the last instalment for our series on estate planning, we are looking at what is the goal of every estate plan: the transferring of assets to your heirs and beneficiaries. This final book guides you through the essentials for a smooth estate transfer.

The end reward

Taking the time to make decisions about who will be the beneficiaries of your estate, and how you will protect and grow your assets is important, but the next step is possibly the most rewarding. Now it's time to plan how your assets will actually be transferred to their recipients and work out how to navigate around any potential roadblocks to a successful transfer. To minimize the stress and costs associated with transferring an estate or a business, there are 10 things you need to consider:

1 Your Will¹

Life can get busy, and this important document can easily find itself on the back burner. Make sure you have a properly drafted, up-to-date, and legally valid will with clear instructions about your wishes. Make it a point to review this annually.



2 Taxes and Costs

Make sure you are leaving enough cash in your estate to cover taxes and other costs that may arise when it's time to execute the transfer of your estate—consulting an advisor to ensure you don't pay more taxes than necessary is a good first step.

3 Your Executor²

Being an executor can be a large, complex job. Remember, you are asking the person you select to carry out these duties and to give up their time and expertise for the task. In addition to this, you want to feel comfortable in their abilities to take on the job. While some people appoint a family member, others choose to work with professionals who have both the experience and perspective to execute larger, more complex estates. It may be a task you want to discuss with a financial advisor, so you can be sure to select the right executor to meet your situation and needs.

4 Estate Fees

When you pass on, your estate will be taxed, and, depending of your province of residence, probate fees may apply to assets being transferred from the estate to your beneficiaries. This warrants a discussion with an expert, and we recommend talking to a financial advisor about your situation specifically.

5 Life Insurance³

A life insurance policy may go a long way to provide for the necessary funds to cover taxes and are usually tax-free for the beneficiary. Review your coverage regularly with your insurance broker and your financial advisor to make sure it will cover your estate and/or business transfer needs.

6 Testamentary Trust⁴

Testamentary trusts remain popular for allocating future trust income to low-income trust beneficiaries or minors. Your lawyer can provide guidance on how to structure this trust with your heirs' best interest in mind.⁵



7 Tax Deductions and Credits⁶

Your executor will prepare an income tax return for the year in which you have passed on. There are a number of strategies they can use to reduce the taxes owing. You should ensure an experienced financial professional is consulted to help minimize your taxes.



8 Holding Company Shares

Take the time to speak to your heirs about their intentions for the holding company you own shares in, and understand what they plan on doing with them once you have gone. You shouldn't assume anything here. If the decision is to sell the shares or close out the business, your executor may advise moving quickly after you pass on to minimize taxes. Be sure you work with your lawyer to leave explicit instructions in your will about how you want the holding company managed.

9 Transferring a Business⁷

If you don't plan your succession ahead of time, your business may not retain its value, or worse, may need to be sold, should your health change or should you pass on unexpectedly. Over one third of business owners don't plan to give up ownership of their business until they are too unwell to manage it⁷. To avoid this, seek the advice of experts and get a plan in place long before it's needed. We recommend talking to your financial advisor, lawyer, accountant, and business/operations advisor to ensure you have reviewed all aspects of the business and know what is involved in smoothly and effectively passing it on to your heirs. Work with them to create a business succession plan and document it.

10 Expert Advice⁸

You will notice that under a number of the considerations we reviewed we noted to seek out expert advice. Legal, tax, and human factors that can impact an estate can be complicated and can even change year to year. To help ensure you minimize risks or potential misunderstandings of what may impact your plan, speak to the right experts and enjoy the peace of mind and confidence that should come from building an estate plan.

A recap of the 10 steps of estate planning

In this series, we have learned that if you have something you want to pass on to a loved one you should have an estate plan to protect and ensure your wishes are honoured and your beneficiaries receive the inheritance you intend for them. We also learned it is never too early or too late to put this plan in place. Let's recap these steps:

- 1 Read this 3-part series on estate planning and become better informed about what is involved.
- 2 Start the process as early as possible and avoid doing it under stressful circumstances or environments.
- 3 At the start of the planning process, talk with your family and heirs. Tell them your intentions and wishes to ensure they understand what you're working to create. They may not know or understand your intentions and may even have information you may want to consider before you make your final plans.
- 4 Work with an experienced financial advisor who is qualified to assist with estate planning.
- 5 Have an up-to-date, properly drafted will and power of attorney in place.
- 6 Ask your advisor to introduce you to specialized accountants and lawyers as needed.
- 7 Involve your executors in your estate planning process.
- 8 Introduce your financial advisor to your heirs and executors so they can work together more easily when the time comes. It will also ensure it is not an emotional or stressful time the first time they meet.
- 9 Communicate your final estate plan to your family, heirs and executors so they understand your decisions and what has been put into place.
- 10 Update your plan regularly as your situation changes. Be sure to keep your heirs aware of any changes.

What comes next

Don't wait any longer. Use this series to help you get started on your own estate plan. Begin the process by creating a listing of your assets, sorting any questions and concerns you may have regarding your estate and plan, and working out what your wishes for your assets and loved ones are.



Your estate plan is too important to overlook. Speak to us today about how we can help you develop an organized, tax-efficient estate plan.



Sources:

1. Making a will and planning your estate, Government of Canada website, updated June 2018
2. Ontario Estate Law: Executor Duties, Ontario Probate website
3. Life insurance, Government of Canada website, updated August 2017
4. Trust types and codes, Government of Canada website, updated May 2019
5. Tax erosion on estates and trusts after death, Maricel Ramos, CPA Canada Blog, February 22, 2018
6. Ontario Estate Law: Executor Duties, Ontario Probate website
7. Business Succession Planning 101: What you should know before transferring, selling, or winding down a business. IPC Private Wealth, Sept 2018
8. Conference Board of Canada: Boosting Retirement Readiness and the Economy Through Financial Advice, Investment Funds Institute of Canada website, September 2014

Additional Resources:

CIRANO: Econometric Models on the Value of Advice of a Financial Advisor

Wealth Transfer 101: How to talk to your heirs about their inheritance, IPC Private Wealth, 2017

The Art & Science of Estate Planning: provided by Investment Planning Counsel Inc.

Prior to implementing any strategies contained in this document, individuals should consult with a qualified Tax Advisor, Accountant, Legal Professional, Financial Advisor or other professional to discuss the implications specific to their situation. Estate law, including wills, powers of attorney and probate fees, vary and are governed by each provinces and/or territories. Please review provincial laws based on where you reside.

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