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Estate planning 101

The freedom to protect your legacy and loved ones the way you want.

Estate planning isn't just for the affluent – it's for all those who want to protect the people they love and the assets they've worked so hard to build. In simple terms, estate planning is the process of arranging for the legal disposition and administration of assets after death. Assets can include anything from real estate or a business, to bank accounts, investments and personal belongings. Estate planning can help minimize fees and taxes, provide for loved ones, establish a guardian for dependants, set up inheritances and more. And as a person's life progresses and financial goals change, so does the plan.

Here are some ways an estate plan can help make life easier at a difficult time.

Name a guardian for children

For parents with young families, a valid will enables them to identify a guardian for their children in the event both parents are no longer able to care for them. Without a will documenting this decision, the choice of who will raise minor children falls to the courts.

Handle an estate according to wishes and intentions

An estate plan is the only way for Canadians to control how they will leave their money, assets and property after they pass away. It provides an opportunity to determine who will administer the estate, who the beneficiaries will be and how assets will be distributed.

Minimize expenses and income tax liability

Estate planning is an effective method for reducing or eliminating probate fees.^[1] Probate is the legal process in which a will is validated by the courts, and fees vary by province or territory. ^[2] Certain options (such as trusts, joint ownership, life insurance products, pension plans and RRSPs) help avoid probate because proceeds pass outside of the estate.

From a tax perspective, a person's assets are deemed disposed of at death, which may result in the estate owing income tax, however, opportunities exist to defer or reduce this tax liability.

Offer protection in a situation of incapacity

While incapacity is often associated with later life, it could occur at any age (for example, due to an accident or medical situation). Naming a power of attorney – for financial affairs and health care decisions – is crucial to help ensure finances and intentions are effectively managed in the event of incapacity.

Each estate plan is as unique as its owner and will change over time, but it is never too early to put one in place. To understand the various aspects of estate planning, speak with your advisor. He or she can connect you with experienced legal and accounting professionals who can help you create an estate plan that is right for you and your family.

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[1] In Quebec probate, or verification, is not applicable for notarial wills.

[2] www.taxtips.ca/willsandestates/probatefees.htm

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