

# TAX ALERT



**TAX ALERT** is a commentary on topics of current interest – usually topics relating to recent changes in tax law, new CRA administrative practices or current interpretations arising from tax cases. Professional advice should be obtained before acting on any of this information.

## THE PRACTICAL SIDE OF ESTATE PLANNING

If you have good legal and tax advice, estate planning should not be that difficult. But don't let your advisors bamboozle you into doing anything that you are not comfortable with. Think of your will as a pot of soup that you can perfect to taste as you wish. Seldom will there be constraints to stop you from getting to where you want to go.

Most people spend fifty or more years carefully building an estate and then give little or no thought of how to distribute it when they die. Most wills that I see take the same standard format without a whit of imagination – *I leave everything to my spouse and if he/she predeceases me then it goes equally to my children.* Duh! What about leaving it in a trust for your spouse to lower her taxes when you are gone and avoid a round of probate. Or just maybe you might want think of leaving your RRSP or appreciated investments to a charity to fulfill a long standing personal wish and get sizable tax relief. The list goes on.

Here's my list of *Fifteen Basic Rules* for good estate planning and will preparation:

- ◆ Start the transfer of wealth now while you can still get some glory – a trust for your grandkid's education or a significant gift to your favourite charity may be worth considering.
- ◆ Talk to your family about your will – start one on one and then move on to a full family meeting.
- ◆ Do your will while you are able and no one can challenge your competence as they may do when you start to get a bit odd.
- ◆ Do what you can to save taxes but make sure taxes are always in second place behind your personal wishes.
- ◆ Look carefully at the influence that others have on you when making your decisions that could later be perceived as *undue influence* on you by still others who feel they were edged out in some way.
- ◆ Make sure your executors have the skills to act in that capacity – perhaps with some checks and balances to resolve the tough issues when you aren't there to referee.
- ◆ Your will should honour all of your legal obligations including statutory ones such as your obligations to adult dependants you are still supporting.
- ◆ Trusts have major advantages both for tax planning and estate administration – use them.
- ◆ Have lots of liquidity to meet your personal needs before you die so when you can no longer think straight you don't have to live below the poverty line. You may live longer than you think.

- ◆ Make the provisions of your will as detailed as possible to keep down the arguing amongst your beneficiaries as to what you actually intended.
- ◆ If you are able compartmentalize bequests of specific assets to specific beneficiaries, life will be a lot easier for your executors.
- ◆ Make sure beneficiary designations outside your will (RRSP's, etc.) are consistent with the distribution of assets in your will.
- ◆ Know how income taxes will be applied to your various estate assets so a misplaced tax liability does not destroy a bequest for a beneficiary.
- ◆ Make sure any bequest for a special need has sufficient capital to meet that need.
- ◆ Don't tie up your assets for an eternity.

Now you must realize that a good will needs good professionals to help you put it together so it complies with the law and avoids litigation amongst your beneficiaries – or those who thought they should be. At one time you could get a will done for a few hundred dollars but no more – a few thousand dollars is more the norm. Believe me it is worth it for you and everyone else. *This Today's Issues first appeared in a newsletter for Castlemoore Inc.*

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